

## Community Resources

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## Introduction

The mandate of the Department of Community Resources (DCR) is to advance the economic and social well-being of Saskatchewan people. It provides basic income support, housing, child care, career services, and employment programs. DCR helps vulnerable families care for and support family members. It supports independent community-based services for people with mental and physical disabilities.

The Government's summary financial statements show "social services and assistance" expenses of \$844 million for the year ended March 31, 2006.

The following table shows the Government's total spending for social programs and services:

	(in millions of dollars)	
	<u>2006</u>	<u>2005</u>
Department of Community Resources	\$ 631	\$ 602
Saskatchewan Housing Corporation	133	143
Department of Learning	21	20
Department of Government Relations	3	3
Department of Corrections and Public Safety	40	39
Department of Justice	<u>16</u>	<u>14</u>
Total	<u>\$ 844</u>	<u>\$ 821</u>

DCR received \$631 million from the General Revenue Fund to deliver its programs and earned revenues of \$20 million. Information about DCR's revenues and expenses appears in its annual report (see [www.dcre.gov.sk.ca](http://www.dcre.gov.sk.ca)).

The following is a list of DCR’s major programs and spending:

	<u>Original</u> <u>Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Income Support	\$ 340	\$ 311
Family and Youth Services	67	74
Community Living	81	82
Regional Service Centres	71	75
Child Care	25	28
Accommodation and Central Services	19	19
Other	30	38
Early Childhood Development	4	4
Total	<u>\$ 637</u>	<u>\$ 631</u>

### **Special purpose fund and Crown agency**

DCR is responsible for the following special purpose fund and Crown agency:

	<u>Year-End</u>
Social Services Central Trust Account	March 31
Saskatchewan Housing Corporation (SHC)	December 31

We reported the results of our audit of SHC in our 2006 Report – Volume 1, Appendix 2.

## **Our audit conclusions and findings**

**In our opinion, for the year ended March 31, 2006:**

- ◆ **DCR had adequate rules and procedures to safeguard public resources except as described in this chapter**
- ◆ **DCR complied with the authorities governing its financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as described in this chapter**
- ◆ **the financial statements of the Trust Account are reliable**

## Need to follow processes to protect children

DCR needs to ensure that children in its care are protected and that payments to the children’s custodians are authorized.

DCR is responsible to promote the well-being of children, youth, and families throughout the Province. DCR has services designed to protect children from abuse and neglect, support families and communities in caring for children, assist people facing family violence, and adopt children.

DCR has approximately 1,800 children in foster care and 1,100 in alternate care. Foster care providers usually do not have any prior relationship with the child. Alternate care providers are extended family members or other persons who have a close connection to the child.

DCR has processes to place children in its care. If DCR does not follow its processes, it cannot ensure that the children in its care are safe and that payments to care providers are authorized. For First Nations children living on reserves, DCR makes agreements with Indian bands (or their agencies) to provide these services on behalf of DCR. The agreements require the bands to follow processes equivalent to DCR’s processes for children in care.

DCR did not always follow its processes or ensure Indian bands followed equivalent processes. As a result, DCR did not know whether all children in its care, including those in the care of First Nations agencies, were protected or that payments to custodians were authorized. Exhibit 1 shows our audit results for the past four years on the rate of non-compliance where DCR provides the services to protect children.

### Exhibit 1—Percentage of client files not complying with child protection policies

	2006	2005	2004	2003
No criminal record check*	13%	20%	31%	40%
Inadequate home study	0%	13%	31%	23%
Inadequate contact with children	21%	35%	54%	NA**
No agreement with foster care provider	13%	13%	33%	20%

\* Non compliance generally relates to non-care providers in the home.

\*\* Audited information not available.

The Exhibit shows that DCR is improving compliance with its processes, but more progress is needed. DCR has developed a long-term Quality Improvement Plan (Plan) to improve employees' compliance with its processes for protecting children in care. The Plan, combined with long-term commitment from senior management, should provide a reasonable basis for DCR to ensure employees comply with processes so that children in care are protected and that payments to custodians are authorized.

We also reported this matter in prior years. In September 2004, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that DCR follow its rules and procedures to ensure that children in its care are protected and the payments to custodians are authorized.

## **Processes to make payments need strengthening**

### ***Social assistance payments***

DCR needs to strengthen its processes to ensure that only eligible persons receive assistance and that they receive the correct amount of assistance.

In 2005-06, DCR made almost 800,000 payments for social assistance totalling \$204 million. It must make many of these payments quickly. A client's need for food, clothing, and shelter often require payment that day, or within a few days. DCR must later verify the client's eligibility for assistance and the amount that was required.

In addition, a client's eligibility for assistance (e.g., living arrangements, levels of income) often changes, which affects the amount of required assistance. If the client does not promptly inform DCR of such a change, it will make incorrect payments until it re-assesses the client's need. DCR's processes require this re-assessment on every client at least once each year.

Exhibit 2 shows our audit results for the past four years on the rate of non-compliance with DCR's established processes.

**Exhibit 2—Percentage of client files containing inadequate support for payments**

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Client identification	0%	10%	18%	33%
Needs/expenses	30%	26%	29%	25%
Marital status	14%	1%	8%	13%
Living arrangements	13%	10%	16%	23%
Child support <sup>1</sup>	8%	29%	33%	27%

The Exhibit shows that DCR is improving compliance with some of its processes, but more progress is needed.

We reported this matter in prior years. In June 2001, PAC agreed with our recommendations.

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

We continue to recommend that DCR improve its records and document its procedures to ensure that custodial parents receiving social assistance pursue child support.

**Corrective actions taken by DCR**

In this section, we describe steps taken by DCR to improve compliance with its processes to ensure that only eligible persons receive social assistance and that they receive the correct amount of social assistance.

**Quality improvement plan**

In May 2004, DCR prepared a long-term Quality Improvement Plan (Plan). The purpose of the Plan is to 1) improve the quality of social assistance delivery, and 2) to improve compliance with DCR's processes for social assistance payments including strengthening the processes if necessary. The Plan, combined with long-term commitment from senior management, provides a reasonable basis for DCR to achieve and

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<sup>1</sup> Clients must 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.

maintain compliance with its processes. DCR is making satisfactory progress in implementing the Plan.

DCR is showing commitment to this Plan. It has strengthened its internal audit function. It has approved a new position responsible for performance management and quality assurance. It has formed a committee to develop best practice and policy interpretation training for both new employees and existing staff.

DCR has implemented most of the actions in the Plan. It has established a Quality Improvement database to track compliance errors. It is sharing this information with its regional offices and staff delivering the services to identify systemic problems and seek solutions.

DCR has modified some systems such as client intake and tracking of child support. These changes appear to have contributed to the improvement seen in our audit findings reported earlier. DCR has further plans for system modifications to address other compliance indicators. The new performance management and quality assurance position, once staffed, will be developing performance indicators and measures.

**Control review**

DCR, with assistance from the Department of Finance, completed a control review of all processes for social assistance payments. The purpose of the review was to strengthen processes to safeguard public resources and to ensure that only eligible persons receive the correct amount of assistance.

DCR has implemented the review's recommendations. It has improved segregation of duties and system access controls. It has improved physical security around blank and issued cheques. It is delivering fraud awareness training to all staff.

DCR is working with the Public Service Commission to implement criminal record checks for employees involved in the administration and delivery of the social assistance program.



***Transitional employment allowance payments***

DCR needs to follow its processes to ensure that only eligible clients receive Transitional Employment Allowance (TEA) assistance and that they receive the correct amount of assistance.

In 2005, the Government passed the *Transitional Employment Regulations, 2005* to help move employable clients from the social assistance system into the workforce by providing assistance to them while participating in, or eligible to participate in, pre-employment programs and services.

In 2005-2006, DCR made over 38,000 payments for transitional employment assistance totalling \$34 million.

DCR has rules and procedures for paying TEA clients. Clients tell DCR, usually by telephone, factors such as family composition and changes in employment, which affect the amount of money a client is eligible to receive.

The rules and procedures help to determine eligibility for payments by ensuring proper documentation has been submitted to DCR. They help ensure that DCR pays proper rates per the TEA regulations and policy manual. DCR uses documentation on board and room information, utilities costs, assets, and income to verify claims.

We found that 33% of client files did not have the proper documentation to ensure the clients were eligible and 16% of TEA payments had not been made at the proper rates.

- We recommend that the Department of Community Resources follow its processes to ensure that only eligible clients receive Transition Employment assistance and that they receive the correct amount of Transition Employment assistance.**

***Employment supplement payments***

DCR needs to strengthen its processes to ensure that only eligible persons receive Saskatchewan Employment Supplement (SES) assistance and that they receive the correct amount of assistance.

DCR gives money to lower income working parents or single parents who receive child support from the absent parent. This money helps to ensure that low-income parents (clients) are better off working than on social assistance. In 2005-2006, DCR paid \$19 million to SES clients.

DCR has rules and procedures for paying SES clients. Clients tell DCR, usually by telephone, their employment income and family composition when they apply for SES money and monthly after that if there are any changes to their eligibility. Factors such as family composition and monthly income earned affect the amount of money a client is eligible to receive.

DCR regularly verifies a sample of SES payments to clients. DCR asks these clients to submit documents that support their employment income and family composition. If, after two written requests, a client does not submit the required documents, DCR stops making payments to the client.

For the year ended December 31, 2005, 18% of clients DCR tested did not provide written evidence to support their reported income. Accordingly, DCR stopped making assistance payments to these clients. As well, a further 15% of cases we examined revealed that errors resulting in overpayments had occurred.

As a result, DCR does not know that only eligible clients received SES payments. As well, DCR's processes are not adequate to ensure that eligible persons receive the correct amount of SES payments.

We also reported this matter last year. In October, 2006, PAC agreed with our recommendation.

We continue to recommend that the Department of Community Resources establish adequate processes to ensure that only eligible persons receive Saskatchewan Employment Supplement assistance and

that they receive the correct amount of Saskatchewan Employment Supplement assistance.

Senior management told us they are reviewing the SES program to determine if any changes to policies or procedures are required.

## **Supervision of community-based organizations needs strengthening**

DCR needs to strengthen its supervision of community-based organizations (CBOs).

DCR paid over \$86 million to more than 300 CBOs that provide services for it. Programs provided by CBOs include group homes, services to enable people to live in their own homes (who otherwise could not), and early childhood, youth-at-risk intervention, and employment assistance programs.

We organize our findings on CBOs into three groupings:

- ◆ agreements with CBOs
- ◆ financial performance reports
- ◆ operational performance reports

### ***Agreements with community-based organizations***

DCR's agreements with CBOs need improvement.

DCR makes annual agreements with CBOs setting out DCR'S financial and compliance with the law objectives, DCR's right to verify reports received, and the basis of DCR's funding. The agreements need to set out more clearly the CBOs' operating objectives (i.e., what CBOs intend to achieve with the money they receive from DCR). DCR is working with the CBOs to more clearly define the outcomes CBOs are expected to achieve.

The agreements require most CBOs (i.e., Community Living CBOs) to report periodically their assessments of the internal controls they have established to achieve DCR's objectives. The agreements allow DCR to assess whether the CBOs' controls are adequate.

DCR has made improvements to the agreements in recent years, but more improvement is needed. As a result of inadequate agreements, DCR does not know if the CBOs are achieving their objectives.

We also reported this matter in prior years. In September 2004, PAC agreed with our recommendation.

We continue to recommend that DCR strengthen its agreements with CBOs by clearly setting out the CBOs' operating objectives and requiring CBOs to report periodically their assessment of the adequacy of processes to achieve their objectives.

### ***Financial and operational performance reports***

#### **Financial reports**

DCR needs to ensure that it receives and reviews financial performance reports from CBOs on a timely basis.

Service agreements require the CBOs to provide DCR 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 DCR is to receive the reports.

Many CBOs did not provide the required financial information on time. We examined CBOs that had received funding of at least \$250,000 from DCR. We examined the CBOs' annual reports for the year ended March 31, 2005 and the CBOs' quarterly reports up to December 31, 2005. We found that 71% of the quarterly and 50% of the annual reports were submitted late or not at all.

DCR did not do timely reviews of the above noted CBOs' financial reports. Also, these CBOs' annual reports were not reviewed by DCR within six months of the CBOs' year-end. Late reviews of financial reports could result in DCR not taking timely corrective action.

Because DCR did not adequately follow its rules and procedures, it did not know on a timely basis if the money was used for the intended purposes.

### **Operational reports**

DCR requires CBOs to submit annual reports describing their services and activities. However, it does not require the CBOs to set performance measures and targets to enable them to report their progress in meeting its objectives. Therefore, DCR did not know if the CBOs are achieving DCR's operational objectives.

We continue to recommend that DCR ensure all CBOs submit timely performance reports to it as required by agreements. In January 1999, PAC agreed with our recommendation.

- 2. We recommend the Department of Community Resources perform timely reviews on all the performance information submitted by the community-based organizations.**
  
- 3. We recommend the Department of Community Resources work with community-based organizations (CBOs) to establish performance measures and targets that better allow it to assess the CBOs' progress in achieving its operational objectives.**

DCR is working to strengthen its supervision of CBOs. DCR told us that, after the audit, it has:

- ◆ revised its service agreement to strengthen CBO accountability and will implement the new agreements for 2007-08
- ◆ developed and implemented a procedure manual for monitoring CBO standards
- ◆ provided staff education and training on analyzing financial information
- ◆ conducted an initial risk assessment of all CBOs receiving \$100,000 or more, and will use this information to develop a standard risk assessment tool for use with all CBOs

In the past year, a CBO steering committee of senior DCR staff was formed to address the relationship and expectations DCR has with CBOs it uses to deliver services on its behalf. DCR told us that the steering committee plans to:

- ◆ develop a CBO policy framework to guide its work with CBOs
- ◆ develop requirements for a comprehensive database of CBO services available and used in the province as a tool for managing information on its CBOs
- ◆ review the service agreements, the CBO reporting guide, training for staff that monitor CBOs, and performance measures and targets for CBOs
- ◆ support groups of its CBOs to work together to develop comprehensive human resources plans

We will monitor the Committee's progress on its planned initiatives and report our findings in a future report.

## **Business continuity plan required**

In previous reports, we recommended that DCR needs a written, tested, and approved business continuity plan<sup>2</sup> (BCP) to help ensure that it can continue to deliver its critical programs and services in the event of a disaster.

DCR has not yet completed all the phases of a BCP. We reported this matter in prior years. In September 2004, PAC agreed with our recommendation.

We continue to recommend that the Department of Community Resources complete a business continuity plan.

DCR is making progress. DCR has completed a business impact analysis that includes identifying and ranking mission critical functions. DCR has also made the required resources available to create and maintain the BCP. It recently hired a new director of Business Support Services to ensure the BCP is completed and implemented.

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<sup>2</sup> **Business Continuity Plan** - Plans by an organization to respond to unforeseen incidents, accidents, or disasters that could affect the normal operations of the organization's critical operations or functions.

**Disaster Recovery plan (DRP)** - Plans by an organization to respond to unforeseen incidents, accidents or disasters that could affect the normal operation of a computerized system (also known as a **Contingency Plan**). A DRP or contingency plan is only one component of a Business Continuity plan.

## IT security needs strengthening

DCR needs to strengthen its security policies to ensure the confidentiality, integrity, and availability of information systems and data.

DCR needs sound security processes to protect data and systems. The processes should:

- ◆ be based on a threat and risk assessment
- ◆ identify who is responsible for the security of systems and data
- ◆ define how and when DCR will grant and remove an individual's access to systems to ensure that no one employee is able to both commit and conceal errors or fraud
- ◆ define how it will monitor compliance with security policies and procedures and address security weaknesses

DCR also needs to have a security awareness plan to reduce the risk that staff could unintentionally create security risks resulting in loss or disclosure of data. Awareness training would help ensure staff understand security policies, security risks, and privacy issues.

Management has not approved or implemented a comprehensive set of policies and procedures to protect the confidentiality, integrity, and availability of its systems and data.

We also reported this matter in prior years. In June 2005, PAC agreed with our recommendation.

We continue to recommend that the Department of Community Resources establish adequate security processes for its information systems.

DCR is in the process of evaluating an option to transfer control of IT systems and IT personnel to the Information Technology Office (ITO). DCR told us that it does not plan to change its IT policies and procedures until this evaluation is complete.

## **Human resource plan needs to improve**

DCR needs to improve its human resource plan. Effective human resource planning helps DCR to have the right people, in the right jobs, at the right time.

DCR developed a human resource plan in 2005-06. We assessed this plan against the key elements of a human resource plan.

A good human resource plan needs to set priorities and link to the organization's overall strategic direction. It should also identify key human resource risks and gaps that exist in current and future available resources. The plan should also set out strategies and implementation plans to address human resource risks and gaps.

We found that DCR's human resource plan sets priorities and identifies key human resource risks. It explains the current human resources it has but does not quantify what it needs. Therefore, the plan only provides a broad description on the gap that exists between required and actual human resources. The plan does not indicate any major changes in the way business is to be carried out and therefore focuses on replacement of current staff as they leave the Department. The plan sets out strategies and broad action plans but does not give deadline dates. The strategies do not have measurable indicators and targets.

**4. We recommend that the Department of Community Resources' human resource plan:**

- ◆ **quantify its human resources needs**
- ◆ **provide details on the human resource gap between actual and required resources**
- ◆ **provide details on the action plans to implement major strategies**
- ◆ **provide measurable indicators and targets for all key strategies**



## **Hiring processes for employees needs strengthening**

Our 2005 Report – Volume 1 describes how DCR needs to strengthen its hiring processes to safeguard public money. It also needs to bond or otherwise insure persons involved in the collection, receipt, disbursement, or expenditure of public money.

We also reported this matter in prior years. In June 2005, PAC agreed with our recommendations.

We continue to recommend that the Department of Community Resources assess if the standard blanket fidelity bond (insurance) coverage reduces its risk of loss of public money to an acceptable level.

We continue to recommend that the Department of Community Resources assess the risk of loss of public money by employees in positions of trust (i.e., responsible for the collection, receipt, disbursement, or expenditure of public money) and reduce the risk to an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks).

DCR told us that it is working with the Department of Finance and the government's bonding agent to assess the cost/benefit of increased bond coverage.

In September 2005, the Public Service Commission (PSC) announced that all employees responsible for the collection, receipt, disbursement, or expenditure of public money as well as all senior managers will require criminal record checks when hired and once every five years while employed. In a future audit, we will examine whether DCR has followed this new PSC policy.

## **Welfare to work—a follow-up**

The Department of Community Resources' (DCR) mandate is to advance the well-being of Saskatchewan people by providing programs and assistance aimed at strengthening participation in the economic and social life of the Province.

One of the DCR's long-term goals is to improve the economic independence and self reliance of Saskatchewan people. In 2004, we assessed whether DCR had adequate processes to measure its progress in helping welfare recipients and others seeking financial assistance to find and keep work.

We reported this matter in a prior year. In December 2005, PAC agreed with our recommendations.

This follow-up is part of our ongoing monitoring to determine what actions management has take to address our recommendations.

In 2006, the employment responsibility of the Department of Community Resources has been transferred to Advanced Education and Employment. This reorganization has impacted the development of the Welfare to Work evaluation framework. The two Departments will have to work together to determine their roles in welfare to work.

We organized this section in line with our recommendations. In each section, the recommendations are in italics and the findings are described below.

## **Define performance measures**

*We recommend that the Department of Community Resources select additional performance measures that directly assess its progress in moving people from welfare to work.*

DCR is preparing a draft strategic plan for its Income Assistance Division (IAD) that sets out 15 preliminary measures. Several of these measures relate directly to the objective of moving people from welfare to work. Accordingly, if DCR approves this draft plan with these (or similar) performance measures, it will have implemented our recommendation.

*We recommend that Department of Community Resources establish baseline results and targets for each measure.*

In addition to the draft IAD strategic plan, DCR has developed a Service Catalogue that should help to link client outcomes, performance measures, and service standards to specific types of services. Once the

outcomes and measures are set, DCR told us it expects to establish baseline results and targets for each measure. The Service Catalogue should facilitate interaction between the Department of Advanced Education and Employment and IAD as well as create a common foundation for the Departments to work from.

*We recommend that the Department of Community Resources communicate to employees its measures, baseline results, and targets.*

DCR is preparing the draft IAD strategic plan with the active participation of staff and management. DCR has also developed an intranet service, staff newsletter, and annual forum to share information with staff. As a result, DCR should have the necessary tools to communicate its measures, baseline results, and targets when established.

## **Obtain relevant and reliable information about welfare recipients**

*We recommend that the Department of Community Resources collect relevant and reliable information related to its performance measures.*

DCR continues to gather data related to each type of service while it establishes performance measures and targets. In addition, DCR has enhanced its service agreements with Career and Employment community-based organizations (CBOs). The agreements require these CBOs to provide DCR with more detailed information on client outcomes. To know exactly what data to collect, DCR must first decide on its performance measures.

## **Analyze the information that is collected**

*We recommend that the Department of Community and Resources establish policies and procedures for evaluating data.*

DCR has not yet set policies and procedures for data evaluation and analysis. However, it has introduced analyses into written reports for management. DCR told us it plans to enhance these reports when it introduces its new Welfare to Work performance measures.

## **Report progress in achieving targets to senior management**

*We recommend that the Department of Community Resources establish reports that show its progress in helping welfare recipients and others seeking financial assistance to find and keep work.*

DCR has not yet established reports that show its progress in helping welfare recipients and others seeking financial assistance to find and keep work. Before DCR can develop reports to monitor its progress, it needs to implement the first five recommendations.

## **Summary**

DCR's processes to measure its progress in helping welfare recipients and others seeking financial assistance to find and keep work require strengthening. We continue to recommend that DCR implement all of our recommendations.

We recognize that implementing the recommendations is a long-term and complex process. We also recognize that the reorganization of responsibility for employment programs in 2006 will affect the continued development of the Welfare to Work evaluation framework. Because DCR's employment programs have been transferred to the Department of Advanced Education and Employment, DCR will need to have further discussions with that Department to determine the roles of each Department in welfare to work outcomes.