

Education

5

Main points	68
Introduction	69
Related special purpose funds and agencies	69
Financial overview	69
Audit conclusions and findings	70
Management of grants to school divisions	71
Adequate segregation of duties needed.....	74
Proper support for payments needed.....	74
Shared service agreement needed	75
Monitoring of ITO security controls	75
User access.....	76
Reporting of incorrect pension costs.....	76
Status of other outstanding recommendations of the Standing Committee on Public Accounts.....	77

Main points

The Ministry of Education (Ministry) needs to properly segregate the duties of its employees for payments made to the Teachers' Superannuation Commission (Commission). Also, the Ministry needs to ensure that the payments made to the Commission are properly supported.

The Ministry should sign a shared service agreement with the Ministry of Advanced Education, Employment and Labour so that both Ministries understand their respective roles and responsibilities.

The Ministry should follow its procedures for ensuring only authorized staff have access to its computer systems and data. Also, the Ministry needs to monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data.

We also report the results of our work on the Ministry's payment processes for Education Technology Consortium projects. The Ministry did not have proper authority to make payments of approximately \$17 million for these projects. In addition, there was inadequate monitoring and reporting on these payment processes. The Ministry has revised its practices to ensure payments for these projects follow the Ministry's normal approval and payment processes.

Introduction

In November 2007, the Government restructured the former Department of Learning into the Ministry of Education (Ministry).

The Ministry provides direction for Prekindergarten – Grade 12 education. As well, the Ministry is to provide leadership to the early learning and child care, literacy, and library sectors. These supports are intended to be an investment in student achievement and the well-being of all Saskatchewan children and youth, and the enhancement of literacy for all Saskatchewan people¹.

The Ministry's responsibilities are set out primarily in *The Education Act, 1995*, *The Child Care Act*, and *The Public Libraries Act, 1996*.

Related special purpose funds and agencies

At March 31, 2008, the Ministry was responsible for the following special purpose funds and agencies:

	<u>Year-end</u>
Technology Supported Learning Revolving Fund	March 31
School Division Tax Loss Compensation Fund	March 31
Prince of Wales Scholarship Fund	March 31
Teachers' Superannuation Commission	June 30

Financial overview

As set out in the table below, the Ministry spent over \$1.3 billion in 2007-08.

¹ *Ministry of Education, 2007-2008 Annual Report*, pg. 4.

Table 1

	Estimates 2007-08 ²	Actual 2007-08
	(in millions of dollars)	
Central Management and Services	\$ 13.4	\$ 13.6
Pre-K -12 Education	626.9	649.4
Early Learning and Child Care	41.3	43.0
Curriculum and E-Learning	5.9	6.0
Literacy	3.1	3.1
Provincial Library	9.6	9.8
Education Property Tax Relief	107.9	122.5
Teachers' Pensions and Benefits	135.8	456.5 ³
Capital Asset Amortization	1.1	1.1
	<u>\$ 945.0</u>	<u>\$ 1,305.0</u>

In 2007-08, the Ministry had revenues of \$10.5 million of which 90% came from the Federal Government primarily for Federal-Provincial Cost Sharing programs.

The Ministry's *2007-08 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates. (www.learning.gov.sk.ca).

Audit conclusions and findings

Chapter 16 of our 2007 Report – Volume 3 reported our interim audit findings for our audit of the Ministry for the year ended March 31, 2007. At the date of that report, we were still examining the payment processes for the Education Technology Consortium projects. Our work on those projects is now complete. We provide the results of our work on these projects under the heading “Management of grants to school divisions.”

² Saskatchewan Finance, *2007-2008 Saskatchewan Estimates*. The Estimates total does not include the additional \$50 million authorized through the *Saskatchewan Supplementary Estimates for Education* (Vote 5).

³ Actual Teachers' pensions and benefits number is restated to include \$345 million of unrecorded pension costs (see details later in this chapter).

In our opinion, for the fiscal year ended on March 31, 2008:

- ◆ **the Ministry and the above-listed funds had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- ◆ **the Ministry complied with authorities governing its and the above listed funds activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ◆ **the 2008 financial statements of the above listed funds are reliable**

The results of the 2008 audit of the Teachers' Superannuation Commission (Commission) are not included in the chapter. We have not completed this audit because the Commission has not yet finalized its financial statements.

The chapter also provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

Management of grants to school divisions

This section reports the background and results of our work on the Ministry's payment processes for the Education Technology Consortium (Consortium) projects.

The Consortium was a partnership among Saskatchewan educational organizations to lead the use of technology to achieve the goals of K-12 public education in Saskatchewan. The partners included the Saskatchewan Association of School Business Officials, Saskatchewan League of Educational Administrators, Directors and Superintendents of school divisions, the Department of Learning, Saskatchewan School Boards Association, and the Saskatchewan Teachers Federation. The Consortium provided advice to the Ministry regarding policy for e-learning and technology in K-12 education.

The Consortium was comprised of one representative of each of the partner organizations. The Ministry provided staff to the Consortium for administration of the Consortium projects.

Beginning in fiscal year 2000-01, the Ministry paid certain school divisions for Education Technology Consortium (ETC) projects to help foster electronic learning in schools. The Ministry made these payments through the appropriation for school operating grants to the school divisions. Although school operating grants to school divisions are unconditional, a portion of the school operating grant was to be used for ETC projects. In effect, the money received by school divisions for ETC projects was to be held “in trust” for the Consortium projects.

School divisions selected for managing the money for Consortium projects received a letter informing them when they would receive the money and the amount they could recoup for administration and overhead costs. An attached letter of understanding set out the responsibilities of the school division and the Consortium. Consortium staff were to approve all orders and invoices for Consortium projects and to direct the school division to make the payment out of ETC money held “in trust”.

From 2000-01 to 2006-07, the Ministry made “in trust” ETC payments to school divisions of approximately \$17 million or about \$2.4 million per year.

In 2005, because of staff changes, the Ministry became aware of inappropriate management of ETC payments and began an investigation into the practices for managing these funds. The ETC projects were managed separately from the Ministry’s normal approval and payment procedures. The Ministry records transactions using the MIDAS system. The Consortium staff generally recorded transactions using QuickBooks accounting software.

The Ministry also hired an accounting firm to examine its records for evidence of misappropriation of funds. The accounting firm examined over 1,000 transactions and reported that the records of the Consortium were not organized and there was no consistent system of filing. There were a few transactions for which it was unable to find support, but the firm did not find any evidence of misappropriation in the records it

examined at the Ministry. However, the accounting firm was unable to determine if any money had been misappropriated because it did not examine any of the documentation maintained by the school divisions that made the actual payments to suppliers.

The Ministry of Finance (Finance) reviewed the work carried out by the Ministry to investigate the management of ETC projects from 2000 to 2007 and the reports of the accounting firm hired by the Ministry to examine its records for misappropriation of funds. Finance did not examine any of the documentation maintained by school divisions.

Both the Ministry and Finance provided the results of their investigation and review to our Office.

We reviewed the results of the work carried out by the Ministry and Finance and the reports of the accounting firm. However, we have not carried out a direct examination of the records because we have no authority to examine records of school divisions.

The results of the work carried out are as follows:

- ◆ there was no legislative authority under *The Education Act , 1995* for the Ministry of Education to make the “in trust” payments to school divisions
- ◆ project payments over \$50,000 were not authorized by an Order in Council as required by *The Government Organization Act*
- ◆ there was inadequate monitoring and reporting for the Consortium projects
- ◆ there was inadequate segregation of duties of Consortium staff and inadequate support for expense claims
- ◆ some payments for Consortium projects were made in advance of services received
- ◆ we are unable to determine if any money had been misappropriated because we have no authority to examine records of school divisions

Beginning in 2005-06, the Ministry revised its practices to ensure payments for ETC projects follow its normal approval and payment procedures.

Adequate segregation of duties needed

The Ministry needs to ensure there is adequate segregation of duties for its employees for payments made to the Teachers' Superannuation Commission.

Proper segregation of duties ensures that no one employee or group of employees is in a position to commit and conceal errors or fraud. A lack of segregation of duties increases the risk of loss of public money without ready detection.

During the audit, we found instances where employees used their authority to make requests for payments and approved the same payment. The Ministry needs to segregate these duties to reduce the risk of improper use of money.

- 1. We recommend the Ministry of Education properly segregate the duties of its employees so that the same employees are not requesting and making payments to the Teachers' Superannuation Commission.**

Proper support for payments needed

The Ministry needs to ensure that the payments made to the Teachers' Superannuation Commission are properly supported.

The Ministry makes payments to the Commission to pay for the benefit plans the Commission administers. During the year, the Ministry paid the Commission \$68 million for those benefit plans.

The Ministry made these payments without adequate support. The only support was the request for payment from the Commission. Support should include documentation supporting the calculation of amounts included on the request for payment. Lack of adequate support increases the risk that public money could be lost or misapplied without ready detection.

- 2. We recommend the Ministry of Education receive and review proper support for the payments made to the Teachers' Superannuation Commission.**

Shared service agreement needed

The Ministry needs to sign a shared service agreement with the Ministry of Advanced Education, Employment and Labour.

The Ministry of Advanced Education, Employment and Labour provides various services to the Ministry. Such services include payment processing, revenue processing/cash handling, and support services.

The shared service agreement should be in place so that both Ministries understand their respective roles and responsibilities. Without this signed agreement, there is a risk that there may not be appropriate agreement on all matters and that specific needs may not be met.

- 3. We recommend the Ministry of Education sign a shared service agreement with the Ministry of Advanced Education, Employment and Labour.**

Monitoring of ITO security controls

The Information Technology Office (ITO) provides computers and network access to the Ministry. ITO is a custodian for the Ministry's computer systems and data. To know that its computer systems and data are secure, the Ministry needs to monitor and assess the security provided by ITO.

The Ministry did not ask for or receive adequate information about security from ITO. Moreover, we found ITO did not adequately configure, monitor, and update firewalls at the Ministry. Firewalls help to maintain security of the Ministry's systems and data.

As a result of these weaknesses, the Ministry's systems and data were at risk of inappropriate external access. In addition, because of the lack of adequate communication about security, the Ministry was not aware of the risk.

- 4. We recommend the Ministry of Education monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data.**

User access

In our 2007 Report – Volume 3, we recommended the Ministry follow its established procedures for managing user access to its computer systems and data. The Standing Committee on Public Accounts considered this matter in January 2008 and agreed with our recommendation.

The Ministry has adequate procedures for reviewing and removing user access to its computer systems and data. However, the Ministry did not follow its established procedures. During the audit, we reviewed access for all employees on the MIDAS⁴ HR system. We found two employees where the Ministry had not removed access on a timely basis. We also found one employee had incompatible roles within the system. For the Student Data System⁵, we found one employee where the Ministry had not removed access on a timely basis. For the Grants system⁶, we found one employee had inappropriate access to the system.

We continue to recommend the Ministry of Education follow its established procedures for user access to its computer systems and data.

Reporting of incorrect pension costs

With the continued use of Treasury Board's accounting policies, the Ministry has not reported its costs of teachers' pensions properly.

The Ministry follows policies set by Treasury Board to prepare its financial plan (Estimates) and to account for its activities. In our audit report on the 2008 financial statements of the General Revenue Fund⁷, we continue to report that Treasury Board does not use Canadian generally accepted accounting policies for the public sector to account for pension costs.

⁴ The government's centralized payroll and payment system is called the Multi-informational Database Applications System (MIDAS).

⁵ The Student Data System allows the Ministry to monitor the enrolment and movement of students from kindergarten to Grade 12 across the province.

⁶ The Grants system is used by the Ministry to calculate the school operating grants that are paid to school divisions.

⁷ *Public Accounts 2007-08: Volume 1: Main Financial Statements*, Auditor's Report [on the General Revenue Fund]. pp. 33-34.

As a result, for the year ended March 31, 2008 the Ministry understates the amount of teachers' pension and benefit costs reported in its annual report by \$345 million (2007 - understated by \$235 million) and understates the amount it owes for teachers' pensions by \$3.19 billion (2007 - \$2.84 billion). We report this concern in our report on the Ministry of Finance.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.⁸

Table 2

PAC REPORT YEAR ⁹	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Education (formerly the Department of Learning)		
1999	CR60. The Department should require school divisions to prepare their financial statements following the standards recommended by the [The Canadian Institute of Chartered Accountants] CICA.	Not implemented (as at March 31, 2008). The Ministry is taking the lead on the project to have all school divisions comply with GAAP. The Ministry is targeting August 31, 2009 for all school divisions to be in compliance with GAAP. It continues to work with the school divisions to meet this target.
2005	PAC concurs: 13-1 that the Department of Learning should obtain from school divisions comparisons of planned and actual costs and timing by key stage for each approved project.	Partially implemented (as at October 31, 2005). We followed up this work in October 2005. We plan to do a second follow-up in 2009-10.

⁸ For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.

⁹ PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

Chapter 5 – Education

PAC REPORT YEAR⁹	OUTSTANDING RECOMMENDATION	STATUS
2005	<p>PAC concurs:</p> <p>13-2 that the Department of Learning should document its assessment of the processes that its partners use to identify and mitigate significant risks or set its own processes to identify and mitigate significant risks on approved capital projects.</p>	<p>Partially implemented (as at October 31, 2005).</p> <p>We followed up on this work in October 2005. We plan to do a second follow-up in 2009-10.</p>
2007	<p>PAC concurs:</p> <p>3-1 that the Department of Learning's human resource plan should:</p> <ul style="list-style-type: none"> - Quantify its human resource needs; - Provide details on human resource gap between actual and required resources; - Provide details on plans to implement the major strategies. 	<p>Not implemented (as at March 31, 2008).</p> <p>Management informed us that the 2008-2009 Human Resource Plan has been developed and is in the approval stages. Therefore, our office was unable to assess if improvements have been made to the plan.</p>
2007	<p>PAC concurs:</p> <p>3-2 that the Department of Learning should sign a service level agreement with the Information Technology Office.</p>	<p>Not implemented (as at March 31, 2008).</p> <p>The Ministry continues to work with the Information Technology Office to establish a service level agreement.</p>