

## Chapter 15

### Social Services

#### 1.0 MAIN POINTS

This chapter reports the results of our annual audit of the Ministry of Social Services and its three special purpose funds for the year ended March 31, 2020. Each fund complied with authorities governing their activities and their 2019-20 financial statements are reliable.

The Ministry complied with authorities governing its activities and had effective rules and procedures to safeguard public resources other than it needs to:

- Obtain appropriate support for and properly approve income assistance payments (including the newly launched Saskatchewan Income Support Program) to ensure eligible clients receive the correct amount of assistance.
- Recover and record overpayments timely for the Saskatchewan Income Support Program to better monitor the extent and reasons for errors, and avoid delaying recovery.
- Require staff to reconcile and review key bank accounts monthly to identify irregularities or errors. One of the Ministry's key bank accounts has \$450 million in income assistance payments paid out each year.
- Carry out timely reviews of financial reports from third-party service providers to determine if funding provided was used appropriately. During 2019-20, it paid these service providers almost \$350 million for services delivered to at-risk residents of Saskatchewan (e.g., elderly, persons with disabilities).

#### 2.0 INTRODUCTION

##### 2.1 Background

The Ministry of Social Services' mandate is to help children be safe from abuse and neglect, and help individuals to meet their basic needs and participate in their community.<sup>1</sup> The Ministry provides support through income assistance, child and family services, affordable housing, and supports for people with disabilities. The Ministry also builds capacity in community-based organizations.<sup>2</sup> Key programs and services include childcare subsidies, adoption services, child protection, foster care, financial assistance, and housing programs.<sup>3</sup>

<sup>1</sup> Ministry of Social Services, *Annual Report for 2019-20*, p. 2.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.



## 2.2 Financial Overview

In 2019-20, the Ministry of Social Services spent \$1.2 billion delivering its programs (see **Figure 1**). Appropriations (money from the General Revenue Fund) fund the Ministry. It also reported revenues totalling about \$46 million primarily from Federal Government transfers (e.g., special allowances for children in care).

**Figure 1—Expenses by Program**

	Estimates 2019-20 <sup>A</sup>	Actual 2019-20
	(in millions)	
Central Management and Services	\$ 57.5	\$ 60.5
Income Assistance Services	607.7	601.4
Child and Family Services	300.3	317.4
Client Support	12.5	12.6
Housing	8.1	6.8
Disability Programs and Services	250.9	247.0
<b>Total Appropriation</b>	<b>\$ 1,237.0</b>	<b>\$ 1,245.7</b>
Capital Asset Acquisitions	(8.3)	(9.6)
Capital Asset Amortization	6.3	6.2
<b>Total Expense</b>	<b>\$ 1,235.0</b>	<b>\$ 1,242.3</b>

Source: Ministry of Social Services, *Annual Report for 2019-20*, p. 19.

<sup>A</sup> During 2019-20, the Ministry received additional appropriation of \$13.35 million provided by special warrant for higher-than-budgeted utilization of Child and Family Services, as well as costs associated with providing emergency social services.

## 2.3 Saskatchewan Income Support Program

The Ministry of Social Services launched the Saskatchewan Income Support (SIS) program on July 15, 2019. The program aims to help people receiving income assistance overcome challenges, earn more income, become more self-sufficient, and start a career. Clients who are currently in the Saskatchewan Assistance Program or who are receiving Transitional Employment Allowance will remain in those programs until they are wound down in the summer of 2021, or until clients voluntarily move to SIS or no longer require income support.<sup>4</sup>

At March 31, 2020, the Ministry had 7,092 clients on SIS and spent \$32.8 million in program support payments from July 15, 2019 to March 31, 2020. See **Figure 2** for a comparison of the Ministry's significant income assistance programs.

**Figure 2—Major Income Assistance Services by Major Programs**

Program	2019-20	2018-19
	(in millions)	
Saskatchewan Assured Income for Disability	\$ 243.6	\$ 230.8
Saskatchewan Assistance Program	155.6	168.8
Transitional Employment Allowance	50.3	61.0
Rental Housing Supplements	33.7	44.0
Saskatchewan Income Support	32.8	-

<sup>4</sup> [www.saskatchewan.ca/government/news-and-media/2019/june/18/income-support-program](http://www.saskatchewan.ca/government/news-and-media/2019/june/18/income-support-program) (25 September 2020).

Program	2019-20	2018-19
	(in millions)	
Seniors Income Plan	27.6	27.0
Other <sup>A,B</sup>	57.9	296.9
<b>Total</b>	<b>\$ 601.4</b>	<b>\$ 828.5</b>

Source: Adapted from Ministry of Social Services information.

<sup>A</sup> Other includes Saskatchewan Employment Supplement, Child Care Parent Subsidies, Seniors Personal Care Home Benefit, Income Assistance Community Services, and Income Assistance Program Delivery expenses.

<sup>B</sup> In 2018-19, \$235.3 million is included in the \$296.9 million for Disability Programs and Services. Starting in 2019-20, Disability Programs and Services are set out separately (see **Figure 1**).

## 2.4 Crown Agency and Special Purpose Funds

The Ministry is responsible for the Saskatchewan Housing Corporation, which has a December 31 year-end. We reported the results of our 2019 audit of the Saskatchewan Housing Corporation in our *2020 Report – Volume 1*.

The Ministry is also responsible for the following funds with March 31 year-ends:

Social Services Central Trust Account  
 Social Services Valley View Centre Grants and Donations Trust Account and  
 Institutional Collective Benefit Fund  
 Social Services Valley View Centre Residents' Trust Account

## 3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2020, we found, in all material respects:

- **The Ministry of Social Services had effective rules and procedures to safeguard public resources except for matters described in this chapter**
- **The Ministry of Social Services and each of its funds complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:**

*The Child and Family Services Act*  
*The Child and Family Services Regulations*  
*The Child Care Act, 2014*  
*The Child Care Regulations, 2015*  
*The Social Services Administration Act*  
*The Department of Social Services Central Trust Account Regulations*  
*The Social Services Rehabilitation Institutional Collective Benefit and Trust Account Regulations*  
*The Rehabilitation Act*  
*The Rehabilitation Regulations*  
*The Vocational Rehabilitation Regulations*  
*The Residential Services Act*  
*The Private-Service Homes Regulations*  
*The Residential-Service Facilities Regulations*  
*The Saskatchewan Assistance Act*

*The Disability Housing Supplement Regulations*  
*The Employment Supplement Regulations*  
*The Personal Care Home Benefit Regulations*  
*The Rental Housing Supplement Regulations*  
*The Saskatchewan Assistance Regulations, 2014*  
*The Saskatchewan Assured Income for Disability Regulations, 2012*  
*The Transitional Employment Allowance Regulations, 2005*  
*The Saskatchewan Income Plan Act*  
*The Seniors Income Plan Regulations*  
*The Executive Government Administration Act*  
*The Ministry of Social Services Regulations, 2007*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above  
 Legislation

- **The financial statements of each fund are reliable**



We used standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (including CSAE 3001 and 3531) to conduct our audits. We used the control framework included in *COSO's Internal Control—Integrated Framework* to make our judgments about the effectiveness of the Ministry of Social Services' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We focused our audit effort on the following areas of the Ministry:

- Administration of the various programs (e.g., SIS, Saskatchewan Assistance Program, Saskatchewan Assured Income for Disability, Autism Individualized Funding) as prescribed by the legislation and policy manuals
- User access, change management, and recovery processes for key and new financial IT systems (e.g., MiCase/Business Central for SIS, Autism Spectrum Disorder program)
- Process for identifying and properly recording all payments and contractual obligations

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Income Verification Needed for SIS Clients

The Ministry of Social Services does not verify the accuracy of Saskatchewan Income Support (SIS) program client income information.

The Ministry had 7,092 clients on SIS at March 31, 2020, and as shown in **Figure 2**, spent \$32.8 million on SIS program support payments from July 15, 2019 to March 31, 2020.

The Ministry requires SIS clients to report their income and provide documentation to support it. Unlike its other major income assistance programs, the Ministry has not set up a process to confirm proof of income of SIS clients, and therefore has not independently verified their reported income and need for income assistance. The Ministry's other significant income assistance programs electronically screen clients against information provided by third parties to identify clients who are receiving income from other sources (e.g., Employment Insurance, student loans, Workers' Compensation). Receipt of other income can either reduce the benefit amount clients can claim under the Ministry's SIS program or impact their eligibility overall for assistance.

Use of third party verifications check the accuracy of key information (e.g., client income) submitted by clients. Not obtaining and checking third party information for client income verification increases the risk of providing income assistance through SIS to clients who are not eligible, or the Ministry paying incorrect SIS benefits.

1. **We recommend the Ministry of Social Services verify client income information for its Saskatchewan Income Support program.**

## 4.2 SIS Overpayments Not Recorded and Recovered Timely

The Ministry did not adequately record and recover Saskatchewan Income Support (SIS) overpayments during 2019-20.

An overpayment occurs when the Ministry pays a SIS client before receiving all information necessary to confirm a client's eligibility for benefits, or where it makes an error in determining a benefit. Overpayments are expected to be recovered beginning the month following payment. Also, the Ministry can pay clients benefits for security deposits on housing with the understanding that clients will repay these benefits beginning the following month.<sup>5,6</sup>

Until February 2020, the Ministry's IT system used to administer the SIS program did not allow staff to set up automatic recovery (beginning the following month) and record the related amount due (i.e., accounts receivable) for overpayments from future SIS benefits. The Ministry indicated that it was tracking overpayments manually from July 2019 to February 2020. However, the Ministry did not provide us with a complete listing or record accounts receivable for any SIS overpayments that occurred during this period.

Overpayment amounts not recovered at the end of the year are expected to be recorded as accounts receivable (amounts owing back to the Ministry). We estimated the Ministry did not record accounts receivable related to SIS overpayments of over \$500 thousand as of March 31, 2020.

In 88% (i.e., seven of eight) of SIS client files we tested, the Ministry did not record \$5,951 of amounts due from clients related to recoverable security deposits.

In addition, our testing of 30 files of clients receiving SIS assistance identified \$26,431 where the Ministry did not record amounts due from clients for overpayments.

In February 2020 (eight months after the SIS program commenced), the Ministry established an automatic recovery process in the IT system to prospectively recover overpayments from SIS clients. By March 31, 2020, the Ministry recovered approximately \$20,000 of SIS overpayments, and approximately \$12,000 of the \$389,000 of recoverable security deposits.

Not recording overpayments of SIS benefits does not allow management to assess the extent of errors resulting in overpayments. Also, not recording and initiating recovery of overpayments delays timely recovery of overpayments.

**2. We recommend the Ministry of Social Services record and recover overpayments related to its Saskatchewan Income Support program in a timely manner.**

## 4.3 Timely Bank Reconciliations Needed

The Ministry of Social Services did not prepare or review monthly bank reconciliations on a monthly basis for many of its bank accounts during the year.

<sup>5</sup> The Ministry considers security deposits to be recoverable payments. We include these with overpayments in this section.

<sup>6</sup> The Ministry's policies allow SIS clients to request and receive security deposit payments to be recovered by the Ministry at a rate of \$50 per month. Similarly, the Ministry's policies require it to recover any benefits overpaid to a SIS client at a rate of \$50 per month.



The Ministry uses the Government's Financial Administration Manual (FAM) as guidance for accounting policies and procedures. FAM requires agencies to reconcile their accounting records to their bank records at least monthly.

We found the Ministry:

- Did not always prepare or review its Social Assistance Program's Allowance bank account monthly reconciliations within a reasonable timeframe. For five of the twelve months we tested, it completed reconciliations late (i.e., 45 to 163 days after month end); for eleven of twelve months we tested, it reviewed late (i.e., up to 273 days after completion). The Ministry completed its March 31, 2020 reconciliation six months after year-end. The Ministry paid almost \$450 million in income assistance payments from this bank account during the year.
- Did not reconcile its Saskatchewan Income Support (SIS) bank account on a monthly basis. In March 2020, the Ministry prepared and reviewed a reconciliation that covered the account from the SIS program's start in July 2019 through March 2020. The Ministry paid \$32.8 million in income assistance from this bank account during the year.
- Did not always prepare and review its District Transfer revenue reconciliations timely.<sup>7</sup> For eight of nine months we tested, it completed reconciliations late (i.e., 32 to 94 days after month end). For four of nine months we tested, management reviewed reconciliations late (i.e., 32 to 48 days after completion). The Ministry received about \$4 million in the District Transfer bank account during the year.

Preparing timely bank reconciliations verifies the accuracy of accounting records and helps identify irregularities or errors. Lack of timely bank reconciliations increases the risk of errors, inaccurate financial records, and loss of public money without timely detection.

**3. We recommend the Ministry of Social Services require staff to reconcile and review each of its key bank accounts monthly.**

#### 4.4 Timely Analysis of Service Provider Financial Information Needed

***We recommend the Ministry of Social Services perform timely reviews on all the performance information submitted by the community-based organizations.*** (2007 Report – Volume 3, p.75, Recommendation 4; Public Accounts Committee agreement January 8, 2008)

**Status**—Partially Implemented

The Ministry of Social Services does not always review the results of the annual financial analysis of third-party service providers (i.e., community-based organizations) within reasonable timeframes.<sup>8</sup>

<sup>7</sup> District Transfer bank accounts are set up to allow staff in remote areas to use local banks to secure deposits until they can be transferred to the General Revenue Fund.

<sup>8</sup> The Ministry uses service providers to provide services to at-risk Saskatchewan residents who experience social, psychological, behavioral and cognitive difficulties. Community-based organizations also deliver programs for persons with developmental disabilities, and the elderly.

At March 31, 2020, the Ministry had service agreements with approximately 200 third-party service providers. During 2019-20, the Ministry paid these service providers almost \$350 million (2018-19: \$416 million).<sup>9</sup> The Ministry paid more than half of its community-based funding to 30 service providers.<sup>10</sup>

The Ministry requires third-party service providers, through its service agreements, to submit various reports (e.g., operational and financial) within specified timeframes. Management sets a target to receive and review 90% of the quarterly and annual reports submitted within the specified deadlines (or inversely, 10% of the reports may be late).

The Ministry aims to complete its review of the third-party service provider's annual financial statement analysis reports by November 30 each year. The Ministry reviews reports to determine whether the service providers used the funding it provided appropriately.

When the Ministry determines service providers did not fully use the funding provided or use it appropriately, the Ministry then determines whether it will recover the amount not spent or not spent appropriately from the service provider. Conversely, it may allow the service provider to keep the monies for use in a future period with an understanding the service provider would use the funding consistent with Ministry requirements.

For the 30 annual financial analysis reports we tested, the Ministry reviewed 50% after the November 30 deadline. Eight of the reviews were completed between four-81 days after the deadline. Seven of the 15 late reports were not reviewed until more than 100 days past the deadline date. Of these 15 third-party service providers that the Ministry did not complete a timely review of the annual financial statement analysis report, ten were among those that received the highest amount of funding from the Ministry.

For the 23 of 30 annual financial analysis reports we tested where the Ministry completed a review, it recovered \$1.4 million because the service providers did not use the funding in 2018-19.

Not reviewing the annual financial statement analysis report of third-party service providers in a timely manner increases the risk that the Ministry may be unable to identify issues and take corrective action in a timely manner (e.g., adjust future funding).

## 4.5 Social Assistance Payments Need to Be Supported and Properly Approved

***We recommend the Ministry of Social Services follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance.*** (2000 Report – Volume 3, p. 221,

Recommendation 2; Public Accounts Committee agreement June 6, 2001)

**Status**—Partially Implemented

The Ministry of Social Services does not always follow legislation or policies and procedures for making payments to income assistance clients.

<sup>9</sup> Provided by Ministry of Social Services management.

<sup>10</sup> Ibid.



The Ministry had 38,155 clients on Saskatchewan income assistance at March 31, 2020, and as shown in **Figure 2**, spent \$482.3 million in income assistance payments in 2019-20.<sup>11</sup>

Legislation outlines Saskatchewan income assistance benefits that the Ministry may pay to eligible clients (e.g., reasonable costs for funeral expenses).<sup>12</sup> Detailed Ministry policies and procedures further define the benefits.

The Ministry expects staff to review and approve support for assistance payments to ensure only eligible clients receive assistance and receive the correct amount of assistance.

Fifty of 77 (65%) files we tested had assistance payments that were not appropriately approved consistent with Ministry policy (e.g., approved when payment was not properly supported, payment made at incorrect rates, or payment not approved). Our testing identified the following examples of files with inappropriate support or where benefits were paid using incorrect rates, and therefore the Ministry should have recorded an amount due from the client:

- Thirty-one of 77 (40%) files with allowances lacked support. For example, in one file, a client received a food-supplements allowance without providing appropriate documentation (i.e., receipts). In another file, a client received shelter benefits that was not consistent with the amount set out in the policy.
- Two of 7 (29%) files with funeral expenses had incorrect rates. For example, in one instance, a client received more funding than allowed by policy.
- Six of 77 (8%) files had emergency cheques issued without documented rationale and lacked support.
- Five of 77 (6%) files lacked appropriate approval. For example, in three files, clients received their first SIS payment without approval by Ministry staff.

Not complying with legislation, and Ministry policies and procedures, increases the risk of paying clients incorrect amounts of income support.

<sup>11</sup> Income assistance programs include Saskatchewan Assured Income for Disability, Saskatchewan Assistance Program, Transitional Employment Allowance, and Saskatchewan Income Support.

<sup>12</sup> *The Saskatchewan Assistance Act* and Regulations.