AUDIT REPORT

CITY OF VANCOUVER
GLEN DRIVE POLICE PROPERTY OFFICE
PROJECT# 14853

PREPARED BY:

INTERNAL AUDIT & ADVISORY SERVICES
MINISTRY OF FINANCE

File # 034066

December 13, 2011

INTRODUCTION

Internal Audit & Advisory Services (IAAS) has been asked to conduct recipient audits of projects administered under the Infrastructure Stimulus Fund (ISF) launched on April 7, 2009.

The ISF is part of the $4 billion fund established by the Federal government through Canada's Economic Action Plan. ISF provides funding to provincial, territorial, municipal and community construction-ready infrastructure projects. The program compliments existing federal infrastructure funding by focusing on short-term objectives for economic stimulus.

The program provides up to:

- 50 per cent of funding for provincial and territorial assets and not-for-profit private sector assets;
- 33.33 per cent for municipal assets; and
- 25 per cent of eligible costs for for-profit sector assets.

PURPOSE & OBJECTIVES

The purpose of this engagement is to provide reasonable assurance to the ministry's executive that individual project costs financed under the program comply with the terms and conditions of the agreement and that all project costs are supported by appropriate documentation.

The engagement objective is to verify that the claims submitted by the organization receiving the funding, include only eligible costs under the terms of the agreement for that specific project.

RESULT OF THE FUNDING REVIEW

Project Name: Vancouver Glen Drive Police Property Office.

Project Number: 14853.

Project Address: Police Property Office and Forensic Storage Facility, Glen Drive, Vancouver, BC.

Project Start/End Dates: October 23, 2009 to October 31, 2011.

Total Estimated Project Costs: $30,300,000.

Federal/Provincial Costs: $20,000,000.

Total Expenditures Reviewed: $26,136,375 representing approximately 86% of the project costs.

Ineligible Transactions:

No findings.

Recommendations:

No recommendations.

Glenn Lewis
Director, Sector Operations
Internal Audit and Advisory Services
Ministry of Finance

AUDIT REPORT

CITY OF ABBOTSFORD
AIRPORT TAXIWAY PARALLEL AND APRON WIDENING
PROJECT #14848

PREPARED BY:

INTERNAL AUDIT & ADVISORY SERVICES
MINISTRY OF FINANCE

File # 034066

November 29, 2011

INTRODUCTION

Internal Audit & Advisory Services (IAAS) has been asked to conduct recipient audits of projects administered under the Infrastructure Stimulus Fund (ISF) launched on April 7, 2009.

The ISF is part of the $4 billion fund established by the Federal government through Canada's Economic Action Plan. ISF provides funding to provincial, territorial, municipal and community construction-ready infrastructure projects. The program compliments existing federal infrastructure funding by focusing on short-term objectives for economic stimulus.

The program provides up to:

- 50 per cent of funding for provincial and territorial assets and not-for-profit private sector assets;
- 33.33 per cent for municipal assets; and
- 25 per cent of eligible costs for for-profit sector assets.

PURPOSE & OBJECTIVES

The purpose of this engagement is to provide reasonable assurance to the ministry's executive that individual project costs financed under the program comply with the terms and conditions of the agreement and that all project costs are supported by appropriate documentation.

The engagement objective is to verify that the claims submitted by the organization receiving the funding, include only eligible costs under the terms of the agreement for that specific project.

RESULT OF THE FUNDING REVIEW

Project Name: Airport Parallel Taxiway and Apron Widening.

Project Number: 14848.

Project Address: Abbotsford International Airport.

Project Start/End Dates: September 24, 2009 to October 31, 2011.

Total Estimated Project Costs: $30,000,000.

Federal/Provincial Costs: $20,000,000.

Total Expenditures Reviewed: $28,049,095 representing approximately 93% of the project's costs.

Ineligible Transactions:

Claim No. 6

- Invoice #J002309 (invoice amount $271,330.55) / December 15, 2010.
- Payee - Summit Brooke Constructions Group.
- Amount - $572.90.
- Rationale – Discrepancy between the claim ($242,832.32) and the net total on invoice ($242,259.42) that the city staff could not explained. We were advised that the proponent had made adjustment for the ineligible transaction of $572.90 in their final claim submission.

Claim No. 6

- Invoice #J002309 (invoice amount $271,330.55) / December 15, 2010.
- Payee – Summit Brooke Constructions Group.
- Amount - $120,000.
- Rationale – the recipient only paid $136,930.54 to the contractor but was not deducted on the same claim due to the deficiency holdback. The difference is $134,400 ($120,000 plus HST). We have reviewed the subsequent claim and confirmed that $40,000 had been adjusted in progress claim #10 and were advised that the proponent had made adjustment for $80,000 in their final claim submission.

Recommendation:

As this project would still claim the maximum grant level after deducting the ineligible amount and/or the findings, no adjustment to their grant payment is required.

Glenn Lewis
Director, Sector Operations
Internal Audit and Advisory Services
Ministry of Finance

AUDIT REPORT

TSAWWASSEN FIRST NATION
INDUSTRIAL LANDS SITE SERVICING PROJECT PHASE I
PROJECT# 14849

PREPARED BY:

INTERNAL AUDIT & ADVISORY SERVICES
MINISTRY OF FINANCE

File # 034066

December 02, 2011

INTRODUCTION

Internal Audit & Advisory Services (IAAS) has been asked to conduct recipient audits of projects administered under the Infrastructure Stimulus Fund (ISF) launched on April 7, 2009.

The ISF is part of the $4 billion fund established by the Federal government through Canada's Economic Action Plan. ISF provides funding to provincial, territorial, municipal and community construction-ready infrastructure projects. The program compliments existing federal infrastructure funding by focusing on short-term objectives for economic stimulus.

The program provides up to:

- 50 per cent of funding for provincial and territorial assets and not-for-profit private sector assets;
- 33.33 per cent for municipal assets; and
- 25 per cent of eligible costs for for-profit sector assets.

PURPOSE & OBJECTIVES

The purpose of this engagement is to provide reasonable assurance to the ministry's executive that individual project costs financed under the program comply with the terms and conditions of the agreement and that all project costs are supported by appropriate documentation.

The engagement objective is to verify that the claims submitted by the organization receiving the funding, include only eligible costs under the terms of the agreement for that specific project.

RESULT OF THE FUNDING REVIEW

Project Name: Tsawwassen First Nation - Industrial Lands Site Servicing Phase I.

Project Number: 14849.

Project Address: Tsawwassen.

Project Start/End Dates: September 24, 2009 to October 31, 2011.

Total Estimated Project Costs: $9,037,000.

Federal/Provincial Costs: $6,024,666.

Total Expenditures Reviewed: $9,203,888 representing approximately 100% of the total estimated project costs.

Ineligible Transactions:

No ineligible transactions found.

Recommendations:

No recommendation.

Glenn Lewis
Director, Sector Operations
Internal Audit and Advisory Services
Ministry of Finance

AUDIT REPORT

WEST VANCOUVER
AMBLESIDE ARTIFICIAL TURF PROJECT
PROJECT #25997

PREPARED BY:

INTERNAL AUDIT & ADVISORY SERVICES
MINISTRY OF FINANCE

File # 034068

December 15, 2011

INTRODUCTION

Internal Audit & Advisory Services (IAAS) has been asked to conduct recipient audits of projects administered under two funding programs: the Building Canada Fund – Communities Component (BCFCC) and the Canada-British Columbia Municipal Rural Infrastructure Fund (CBCMRIF).

The BCFCC is part of the $2.2 billion program under the Building Canada Framework Agreement of 2007 between Canada and British Columbia. The program was launched on July 7, 2008. Under the BCFCC Agreement, both the provincial and federal governments have committed $136 million each in support of local government infrastructure projects to communities with populations of less than 100,000 people. Of the total $136 million amount, $25 million is allocated specifically for the purposes of flood protection related projects, in reference to the Disaster Mitigation category. Under BCFCC Top Up Program, the provincial and federal governments have each allocated an additional $64.64 million to smaller-scale projects in communities for projects that will be substantially completed by March 31, 2011 and October 31, 2011 for projects that have been approved for an extension to project completion date.

PURPOSE & OBJECTIVES

The purpose of this engagement is to provide reasonable assurance to the ministry's executive that individual project costs financed under the program comply with the terms and conditions of the agreement and that all project costs are supported by appropriate documentation.

The engagement objective is to verify that the claims submitted by the organization receiving the funding, include only eligible costs under the terms of the agreement for that specific project.

RESULT OF THE FUNDING REVIEW

Project Name: West Vancouver Amberside Park Artificial Turf Project.

Project Number: 25997.

Project Address: 11th Ave., West Vancouver, BC.

Project Start/End Dates: September 23, 2009 to October 31, 2011.

Total Estimated Project Costs: $4,500,000.

Federal/Provincial Costs: $3,000,000.

Total Expenditures Reviewed: $3,186,869 representing 71% of the project's costs.

Duplicate Payment:

Claim 2 - $139.62

The District of West Vancouver claimed $139.62 on two different transactions:

- $3,780 – invoice #24694 from RF Binnie & Associates included payment of invoice #24793 in the amount of #139.62.
- $139.62 – invoice #24793 from RF Binnie & Associates.

Recommendation:

As this project would still claim the maximum grant level after deducting the ineligible amount and/or the findings, no adjustment to their grant payment is required.

Glenn Lewis
Director, Sector Operations
Internal Audit and Advisory Services
Ministry of Finance

AUDIT REPORT

CITY OF WHITE ROCK
PEDESTRIAN IMPROVEMENT INITIATIVE
PROJECT# 26160

PREPARED BY:

INTERNAL AUDIT & ADVISORY SERVICES
MINISTRY OF FINANCE

File # 034068

December 07, 2011

INTRODUCTION

Internal Audit & Advisory Services (IAAS) has been asked to conduct recipient audits of projects administered under two funding programs: the Building Canada Fund – Communities Component (BCFCC) and the Canada-British Columbia Municipal Rural Infrastructure Fund (CBCMRIF).

The BCFCC is part of the $2.2 billion program under the Building Canada Framework Agreement of 2007 between Canada and British Columbia. The program was launched on July 7, 2008. Under the BCFCC Agreement, both the provincial and federal governments have committed $136 million each in support of local government infrastructure projects to communities with populations of less than 100,000 people. Of the total $136 million amount, $25 million is allocated specifically for the purposes of flood protection related projects, in reference to the Disaster Mitigation category. Under BCFCC Top Up Program, the provincial and federal governments have each allocated an additional $64.64 million to smaller-scale projects in communities for projects that will be substantially completed by March 31, 2011 and October 31, 2011 for projects that have been approved for an extension to project completion date.

PURPOSE & OBJECTIVES

The purpose of this engagement is to provide reasonable assurance to the ministry's executive that individual project costs financed under the program comply with the terms and conditions of the agreement and that all project costs are supported by appropriate documentation.

The engagement objective is to verify that the claims submitted by the organization receiving the funding, include only eligible costs under the terms of the agreement for that specific project.

RESULT OF THE FUNDING REVIEW

Project Name: City of White Rock – Pedestrian Improvement Initiative.

Project Number: 26160.

Project Address: City of White Rock.

Project Start/End Dates: September 23, 2009 to October 31, 2011.

Total Estimated Project Costs: $1,480,800.

Federal/Provincial Costs: $987,200.

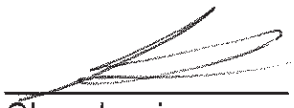
Total Expenditures Reviewed: $1,721,854 representing 100% of the project costs.

Ineligible Transactions:

No findings

Recommendations:

No recommendations



Glenn Lewis
Director, Sector Operations
Internal Audit and Advisory Services
Ministry of Finance

AUDIT REPORT

CITY OF CRANBROOK FIBRE OPTIC BROAD BAND

PROJECT # 26076

PREPARED BY:

INTERNAL AUDIT & ADVISORY SERVICES
MINISTRY OF FINANCE

File # 034068

November 28, 2011

INTRODUCTION

Internal Audit & Advisory Services (IAAS) has been asked to conduct recipient audits of projects administered under two funding programs: the Building Canada Fund – Communities Component (BCFCC) and the Canada-British Columbia Municipal Rural Infrastructure Fund (CBCMRIF).

The purpose of the programs are to support a wide range of community projects, including flood protection, and to improve municipal and rural infrastructure with the objectives of ensuring that communities, large and small, are sustainable, competitive and healthy centres of economic growth.

PURPOSE & OBJECTIVES

The purpose of this audit is to provide reasonable assurance to the Government of Canada and Government of British Columbia that individual project costs financed under the BCFCC Program and CBCMRIF Program comply with the eligible costs defined under the programs and that all project costs are supported by appropriate documentation.

RESULT OF THE FUNDING REVIEW

Project Name: City of Cranbrook Fibre Optic Broad Band.

Project Number: 26076.

Project Address: City of Cranbrook.

Project Start/End Dates: September 23, 2009 – October 31, 2011.

Approved Project Costs: $2,250,000.

Federal/Provincial Funding: $1,500,000.

Total Expenditures Reviewed: five claims, totalling $1,646,446, representing 100% of the project's costs submitted to date. All invoice values were successfully reconciled against the claim totals.

Results:

Potential ineligible findings totalling $3680.28 were identified.

Other findings include an occurrence where lost revenue was claimed as an expense, while the associated revenue was not claimed.

Specific findings are identified below.

Claim 1

- No Findings

Claim 2

- No Findings

Claim 3

- Columbia Basin Trust – Invoice 023049 (aka 106)
  - Cranbrook was to be paid $9933 to extend the Fibre Optic line to a particular business. When something went wrong, and repairs were required, that amount was reduced by $4100. Cranbrook then claimed this lost revenue as an expense. If this lost revenue is considered an expense, then the remaining revenue of $5833 should also be claimed as a credit. This has not occurred.

Claim 4

- Petro Comm Industries – invoice 31134 (aka 222453)
  - Invoice 31134 was paid, and claimed for $3680.28. However, this same amount was also paid and claimed under LTS Infrastructure Services (222453).

Claim 5

- No Findings

Recommendation:

We recommend that the Ministry monitor future claims to ensure the following:

- that the revenue generated from Columbia Basin Trust is incorporated into a future claim, or alternatively that the loss of revenue claimed on Claim 3 is backed out in a future claim; and
- that the invoice that was paid and claimed twice (Petro Comm Industries 31134) is backed out in a future claim.

Glenn Lewis
Director, Sector Operations
Internal Audit and Advisory Services
Ministry of Finance

AUDIT REPORT

CITY OF KAMLOOPS RAYLEIGH SLO-PITCH PARK PHASE 1

PROJECT #25917

PREPARED BY:

INTERNAL AUDIT & ADVISORY SERVICES
MINISTRY OF FINANCE

File # 034068

November 16, 2011

INTRODUCTION

Internal Audit & Advisory Services (IAAS) has been asked to conduct recipient audits of projects administered under two funding programs: the Building Canada Fund – Communities Component (BCFCC) and the Canada-British Columbia Municipal Rural Infrastructure Fund (CBCMRIF).

The purpose of the programs are to support a wide range of community projects, including flood protection, and to improve municipal and rural infrastructure with the objectives of ensuring that communities, large and small, are sustainable, competitive and healthy centres of economic growth.

PURPOSE & OBJECTIVES

The purpose of this audit is to provide reasonable assurance to the Government of Canada and Government of British Columbia that individual project costs financed under the BCF-CC Program and CBCMRIF Program comply with the eligible costs defined under the programs and that all project costs are supported by appropriate documentation.

RESULT OF THE FUNDING REVIEW

Project Name: City of Kamloops Rayleigh Slo-Pitch Park Phase 1

Project Number: 25917

Project Address: City of Kamloops

Project Start/End Dates: September 23, 2009 – October 31, 2011

Approved Project Costs: $9,790,000

Federal/Provincial Funding: $6,526,666

Total Expenditures Reviewed: 5 claims, totalling $7,191,525, representing 100% of the project's costs submitted to date. All invoices values were successfully reconciled against the claim totals.

Results:

Overall, ineligible findings totalling $9,278.31 were identified. In addition, potential ineligible findings of $13,772.00 were identified.

Specific finding are outlined below:

Claim 1

- Three transactions where the date of invoice preceded the September 23, 2009 commencement date totalling $4701.13:
  - Urban System - Invoice 45096 - Journal Entry - 251079 - Sept 17/09 - $148.50
  - Urban System - Invoice 43420 - Journal Entry - JE - May 31/09 - $3,653.63
  - Urban System - Invoice 43419 - Journal Entry - JE - May 31/09 - $899.00
- One transaction (two line items) found where the invoice was for contractor work to develop a business case for funding purposes for a different project (Brownfield project):
  - Urban System - Invoice 45627 - Journal Entry - 254633 - Oct 19/09 - $3,387.91.
  - Urban System - Invoice 45627 - Journal Entry - 254633 - Oct 19/09 - $34.22.
- One transaction where the invoice identified that a portion of the work was completed in April 2009, prior to the September 23rd commencement date. City staff were unable to identify what portion of the invoice was for April work.
  - Urban System - Invoice 46494 - Journal Entry 255945 - Nov 27/09 - $13,772.

Claim 2

- No findings.

Claim 3

- One transaction found where the value of claim was overstated by $1,155.05 due to a tax calculation error:
  - ITT W & WW - Invoice 50097398 - July 5/10 - $18,120.90

Claim 4

- No findings.

Claim 5

- No findings.

Recommendation:

We recommend that the Ministry:

- adjust the final claim by $9,278.31; and
- follow up with the City of Kamloops and determine what portion of the $13,772.00 invoice was for work completed prior to the September 23rd commencement date.

Glenn Lewis
Director, Sector Operations
Internal Audit and Advisory Services
Ministry of Finance

AUDIT REPORT

CITY OF KIMBERLEY MARYSVILLE WATERMAIN REPLACEMENT UPGRADE

PROJECT #22677

PREPARED BY:

INTERNAL AUDIT & ADVISORY SERVICES
MINISTRY OF FINANCE

File # 034068

November 21, 2011

INTRODUCTION

Internal Audit & Advisory Services (IAAS) has been asked to conduct recipient audits of projects administered under two funding programs: the Building Canada Fund – Communities Component (BCF-CC) and the Canada-British Columbia Municipal Rural Infrastructure Fund (CBCMRIF).

The purpose of the programs are to support a wide range of community projects, including flood protection, and to improve municipal and rural infrastructure with the objectives of ensuring that communities, large and small, are sustainable, competitive and healthy centres of economic growth.

PURPOSE & OBJECTIVES

The purpose of this audit is to provide reasonable assurance to the Government of Canada and Government of British Columbia that individual project costs financed under the BCF-CC Program and CBCMRIF Program comply with the eligible costs defined under the programs and that all project costs are supported by appropriate documentation.

RESULT OF THE FUNDING REVIEW

Project Name: City of Kimberley Marysville Watermain Replacement Upgrade

Project Number: 22677

Project Address: City of Kimberley

Project Start/End Dates: September 23, 2009 – October 31, 2011

Approved Project Costs: $2,014,724

Federal/Provincial Funding: $1,334,000.

Total Expenditures Reviewed: Five claims, totalling $2,014,724 representing 100% of the project's costs. All invoice values were successfully reconciled against the claim totals.

Results:

No ineligible findings identified.

Recommendation:

Not Applicable.

Glenn Lewis
Director, Sector Operations
Internal Audit and Advisory Services
Ministry of Finance

AUDIT REPORT

MINISTRY OF NATURAL RESOURCE OPERATIONS – WILLIAMS LAKE AIR TANKER BASE

PROJECT # 14831

PREPARED BY:

INTERNAL AUDIT & ADVISORY SERVICES
MINISTRY OF FINANCE

File # 034066

November 25, 2011

INTRODUCTION

Internal Audit & Advisory Services (IAAS) has been asked to conduct recipient audits of projects administered under the Infrastructure Stimulus Fund (ISF) launched on April 7, 2009.

The ISF is part of the $4 billion fund established by the federal government through Canada's Economic Action Plan. ISF provides funding to provincial, territorial, municipal and community construction-ready infrastructure projects. The program compliments existing federal infrastructure funding by focusing on short-term objectives for economic stimulus.

The program provides up to:

- 50 per cent of funding for provincial and territorial assets and not-for-profit private sector assets;
- 33.33 per cent for municipal assets; and
- 25 per cent of eligible costs for for-profit sector assets.

PURPOSE & OBJECTIVES

The purpose of this audit is to provide reasonable assurance to the ministry that individual project costs financed under the program comply with the terms and conditions of the agreement and that all project costs are supported by appropriate documentation.

The audit objective is to verify that the claims submitted by the organization receiving the funding, include only eligible costs under the terms of the agreement for that specific project.

RESULT OF THE FUNDING REVIEW

Project Name: Ministry of Natural Resource Operations – Williams Lake Air Tanker Base.

Project Number: 14831.

Project Address: 2957 Jutland Rd, Victoria, BC.

Project Start/End Dates: September 24, 2009 – October 31, 2011.

Total Project Costs: $1,409,000.

Federal Funding: $704,500.

Total Expenditures Reviewed: We reviewed five transactions, over two claims, totalling $781,575.29, representing 100% of the project's costs submitted to date. All invoice values were successfully reconciled against the claim totals.

Results:

No ineligible transactions were noted.

Glenn Lewis
Director, Sector Operations
Internal Audit and Advisory Services
Ministry of Finance

AUDIT REPORT

DISTRICT OF WEST KELOWNA SEWER SERVICES EXTENSION PHASE 2

PROJECT #25895

PREPARED BY:

INTERNAL AUDIT & ADVISORY SERVICES
MINISTRY OF FINANCE

File # 034068

November 17, 2011

INTRODUCTION

Internal Audit & Advisory Services (IAAS) has been asked to conduct recipient audits of projects administered under two funding programs: the Building Canada Fund – Communities Component (BCFCC) and the Canada-British Columbia Municipal Rural Infrastructure Fund (CBCMRIF).

The purpose of the programs are to support a wide range of community projects, including flood protection, and to improve municipal and rural infrastructure with the objectives of ensuring that communities, large and small, are sustainable, competitive and healthy centres of economic growth.

PURPOSE & OBJECTIVES

The purpose of this audit is to provide reasonable assurance to the Government of Canada and Government of British Columbia that individual project costs financed under the BCF-CC Program and CBCMRIF Program comply with the eligible costs defined under the programs and that all project costs are supported by appropriate documentation.

RESULT OF THE FUNDING REVIEW

Project Name: District of West Kelowna Sewer Services Extension

Project Number: 25895

Project Address: District of West Kelowna

Project Start/End Dates: January 27, 2010 – October 31, 2011.

Approved Project Costs: $7,650,000

Federal/Provincial Funding: $5,100,000

Total Expenditures Reviewed: Two claims, totalling $5,838,589, representing 100% of the project's costs submitted to date

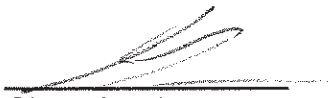
Results:

There were no ineligible findings identified. 19 transactions were identified where paid and unpaid holdbacks were claimed, and one transaction of $4,405.78 which had been claimed, but never paid. The invoice is eligible and, at the time of this writing, is in the process of being paid to the contractor. At the time of this review, all holdbacks that had been claimed as part of Claim 1 and Claim 2 had been paid to the contractor.

Recommendation:

We recommend that the ministry:

- take steps to increase awareness of recipients that holdbacks must not be claimed until paid; and
- monitor future claims to ensure:
  - that the nineteen transactions where holdbacks were claimed are not claimed again, and
  - that the unpaid transaction of $4,405.78 is not claimed again.



Glenn Lewis
Director, Sector Operations
Internal Audit and Advisory Services
Ministry of Finance

AUDIT REPORT

CITY OF CAMPBELL RIVER – AIRPORT RUNWAY EXTENSION

PROJECT #26249

PREPARED BY:

INTERNAL AUDIT & ADVISORY SERVICES
MINISTRY OF FINANCE

File # 034068

December 01, 2011

INTRODUCTION

Internal Audit & Advisory Services (IAAS) has been asked to conduct recipient audits of projects administered under two funding programs: the Building Canada Fund – Communities Component (BCF-CC) and the Canada-British Columbia Municipal Rural Infrastructure Fund (CBCMRIF).

The purpose of the programs are to support a wide range of community projects, including flood protection, and to improve municipal and rural infrastructure with the objectives of ensuring that communities, large and small, are sustainable, competitive and healthy centres of economic growth.

PURPOSE & OBJECTIVES

The purpose of this audit is to provide reasonable assurance to the Government of Canada and Government of British Columbia that individual project costs financed under the BCF-CC Program and CBCMRIF Program comply with the eligible costs defined under the programs and that all project costs are supported by appropriate documentation.

RESULT OF THE FUNDING REVIEW

Project Name: City of Campbell River – Airport Runway Extension.

Project Number: 26249.

Project Address: City of Campbell River.

Project Start/End Dates: September 23, 2009 – October 31, 2011.

Approved Project Costs: $8,331,250.

Federal/Provincial Funding: $5,554,166.

Total Expenditures Reviewed: Two claims, totalling $4,557,179 representing 100% of the project's costs submitted to date. All invoice values were successfully reconciled against the claim totals.

Results:

No ineligible findings identified.

Recommendation:

Not Applicable.

Glenn Lewis
Director, Sector Operations
Internal Audit and Advisory Services
Ministry of Finance

AUDIT REPORT

SCIENCE WORLD
PROJECT# 14828

PREPARED BY:

INTERNAL AUDIT & ADVISORY SERVICES
MINISTRY OF FINANCE

File # 034066

December 09, 2011

INTRODUCTION

Internal Audit & Advisory Services (IAAS) has been asked to conduct recipient audits of projects administered under the Infrastructure Stimulus Fund (ISF) launched on April 7, 2009.

The ISF is part of the $4 billion fund established by the Federal government through Canada's Economic Action Plan. ISF provides funding to provincial, territorial, municipal and community construction-ready infrastructure projects. The program compliments existing federal infrastructure funding by focusing on short-term objectives for economic stimulus.

The program provides up to:

- 50 per cent of funding for provincial and territorial assets and not-for-profit private sector assets;
- 33.33 per cent for municipal assets; and
- 25 per cent of eligible costs for for-profit sector assets.

PURPOSE & OBJECTIVES

The purpose of this engagement is to provide reasonable assurance to the ministry's executive that individual project costs financed under the program comply with the terms and conditions of the agreement and that all project costs are supported by appropriate documentation.

The engagement objective is to verify that the claims submitted by the organization receiving the funding, include only eligible costs under the terms of the agreement for that specific project.

Result of the Funding Review

Project Name: Science World.

Project Number: 14828.

Project Address: 1455 Quebec Street, Vancouver, BC.

Project Start/End Dates: October 21, 2009 to October 31, 2011.

Total Estimated Project Costs: $31,500,000.

Federal/Provincial Costs: $21,000,000.

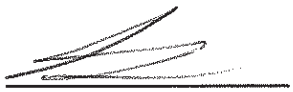
Total Expenditures Reviewed: $22,644,337 representing approximately 72% of costs claimed to date.

Ineligible Transactions:

No findings.

Recommendations:

No recommendations.



Glenn Lewis
Director, Sector Operations
Internal Audit and Advisory Services
Ministry of Finance

AUDIT REPORT

CITY OF SURREY
CITY CENTRE LIBRARY OF SURREY
PROJECT# 14840

PREPARED BY:

INTERNAL AUDIT & ADVISORY SERVICES
MINISTRY OF FINANCE

File # 034066

December 07, 2011

INTRODUCTION

Internal Audit & Advisory Services (IAAS) has been asked to conduct recipient audits of projects administered under the Infrastructure Stimulus Fund (ISF) launched on April 7, 2009.

The ISF is part of the $4 billion fund established by the Federal government through Canada's Economic Action Plan. ISF provides funding to provincial, territorial, municipal and community construction-ready infrastructure projects. The program compliments existing federal infrastructure funding by focusing on short-term objectives for economic stimulus.

The program provides up to:

- 50 per cent of funding for provincial and territorial assets and not-for-profit private sector assets;
- 33.33 per cent for municipal assets; and
- 25 per cent of eligible costs for for-profit sector assets.

PURPOSE & OBJECTIVES

The purpose of this engagement is to provide reasonable assurance to the ministry's executive that individual project costs financed under the program comply with the terms and conditions of the agreement and that all project costs are supported by appropriate documentation.

The engagement objective is to verify that the claims submitted by the organization receiving the funding, include only eligible costs under the terms of the agreement for that specific project.

RESULT OF THE FUNDING REVIEW

Project Name: Surrey City Centre Library.

Project Number: 14840.

Project Address: 10350 University Drive, Surrey, BC.

Project Start/End Dates: September 24, 2009 to October 31, 2011.

Total Estimated Project Costs: $30,000,000.

Federal/Provincial Costs: $20,000,000.

Total Expenditures Reviewed: $31,999,653 representing 100% of the total estimated project costs.

Ineligible Transactions:

Claim 1

- *Terasen Gas (Acct. #850311 – $95.30) – invoice was billed to City of Surrey Realty Services that is not related to this project.*

Claim 2

- *Bing Thom Architects (JE 1971-1 – $3,349.76) – this was an internal journal entry to reverse the GST on invoice# 3096B (see claim 1). The invoice was insurance payment which had no GST implied and the full invoice amount was claimed in Claim 1; therefore, the GST should not be added to the claim.*
- *New World Print (Invoice# N52721 – $266.20) – the invoice total was for three different projects; therefore, 2/3 of the claimed amount was ineligible.*

Claim 5

- *City of Surrey – Damage deposit of $1,000 from building permit fees claimed and was retained by the City.*

Claim 2 to Claim 12

- *Dominion Fairmile Construction Ltd.(see Appendix – net under claim: ($262,455))*
  - *The City claimed the eligible amount of the provincial portion of HST on holdback at the time when they submitted the claims as opposed to when the holdback was released.*
  - *GST was claimed on the holdback release # 1 and release # 2.*
  - *Overall, the claimed amount was not calculated correctly and consistently.*

Recommendations:

Despite the City under claimed the invoices from Dominion Fairmile Construction Ltd as of the end of claim# 12, we recommend that the ministry should perform a detailed review on all the transactions for this supplier and ensure the City is not over claim.

As this project would still claim the maximum grant level after deducting the ineligible amount and/or the findings, no adjustment to their grant payment is required.

Glenn Lewis
Director, Sector Operations
Internal Audit and Advisory Services
Ministry of Finance

APPENDIX

Ministry of Transportation and Infrastructure
ISF project (#034066)
Surrey City Centre Library (Project# 14840)

Contractor: Dominion Fairmile Construction Ltd.

Claim#	Draw#	Invoice#	Current billing (before holdback)	10% holdback	Net billing	GST/HST on invoice	Total paid	GST/HST on holdback	Amount claimed	Amount should be claimed	Variance over/(under) claim	
2	1	169875550	1,400,935.69	140,093.57	1,260,842.12	63,042.11	1,323,884.23	7,004.68	1,253,837.44	1,260,842.12	(7,004.68)	
2	2	169875603	697,286.68	69,728.67	627,558.01	31,377.90	658,935.91	3,486.43	624,071.58	627,558.01	(3,486.43)	
3	3	169875631	1,151,748.66	115,174.87	1,036,573.79	51,828.69	1,088,402.48	5,758.74	1,036,573.80	1,036,573.79	0.01	
4	4	169875737	1,337,644.48	133,764.45	1,203,880.03	144,465.60	1,348,345.64	16,051.73	1,227,283.46	1,224,943.12	2,340.34	
4	5	169875809	2,164,507.76	216,450.78	1,948,056.98	233,766.83	2,181,823.81	25,974.09	1,985,927.21	1,982,140.19	3,787.02	
5	6	169875937	2,372,486.56	237,248.66	2,135,237.90	256,228.55	2,391,466.45	28,469.84	2,176,746.93	2,172,596.03	4,150.90	
6	7	169875976	1,834,889.73	183,488.97	1,651,400.76	198,168.09	1,849,568.85	22,018.68	1,683,503.99	1,680,293.66	3,210.33	
6	8	169876018	1,767,931.62	176,793.16	1,591,138.46	190,936.61	1,782,075.07	21,215.18	1,622,070.19	1,618,977.02	3,093.17	
7	9	169876069	2,486,238.46	248,623.85	2,237,614.61	268,513.75	2,506,128.37	29,834.86	2,054,595.91	2,276,763.92	(222,168.01)	(Note 1)
8	10	169876168	2,155,299.00	215,529.90	1,939,769.10	232,772.29	2,172,541.39	25,863.59	1,977,478.21	1,973,707.30	3,770.91	
9	11	169876232	1,643,788.96	164,378.90	1,479,410.06	177,529.21	1,656,939.27	19,725.47	1,508,169.79	1,505,293.82	2,875.97	
9	12	169876273	1,932,611.27	193,261.13	1,739,350.14	208,722.02	1,948,072.16	23,191.34	1,773,163.11	1,769,781.81	3,381.30	
9											(71,830.68)	(Note 2)
10	13	169876328	1,946,378.27	194,637.83	1,751,740.44	210,208.85	1,961,949.30	23,356.54	1,785,794.27	1,782,388.89	3,405.38	
11	14	169876391	1,025,298.68	102,529.87	922,768.81	110,732.26	1,033,501.07	12,303.58	940,707.44	938,913.58	1,793.86	
12	15	169876433	808,515.29	80,851.53	727,663.76	87,319.65	814,983.41	9,702.18	741,809.54	740,394.97	1,414.57	
12	16	1698764462	830,616.83	83,061.68	747,555.15	89,706.62	837,261.76	9,967.40	762,087.30	760,634.37	1,452.93	
	Draws total		25,556,177.94	2,555,617.79	23,000,560.15	2,555,319.03	25,555,879.18	283,924.34	23,153,820.17	23,351,802.60	(269,813.11)	
9	HB1	169876016		(366,300.00)	366,300.00	-	366,300.00	(35,409.00)	376,677.52	370,573.50	6,104.02	(Note 3)
9	HB2	169876130		(66,350.00)	66,350.00	-	66,350.00	(6,206.39)	68,326.08	67,072.22	1,253.86	(Note 3)
	Net balance			**$ 2,122,967.79**	**$ 23,433,210.15**	**$ 2,555,319.03**	**$ 25,988,529.18**	**$ 242,308.95**	**$ 23,598,823.77**	**$ 23,789,448.32**	**$ (262,455.23)**	

Note 1 Claimed amount was calculated based on the "subtotal" on invoice (before deducting holdback); then subtracted the ineligible portion of HST and holdback

Holdback was short by:	$ 71,830.68
Added back 85.42% of HST	(254,849.39)
HST should have claimed	(39,149.30)
Underclaimed	$ (222,168.01)

Note 2 The shortage of holdback of $71,830.68 for claim# 7 was subtracted from claim# 9.

Note 3 Portion of the amount was charged GST only.

5% GST charge only

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Ministry of Finance Internal Audit & Advisory Services

MEMORANDUM

To: Richard George
A/Manager, Child and Family Services
British Columbia Region
Aboriginal Affairs and Northern Development Canada

December 6, 2011
File No.: 039230

Debra Foxcroft
Assistant Deputy Minister
Aboriginal Policy and Service Support
Ministry of Children and Family Development

From: Chris Brown
A/Executive Director
Internal Audit & Advisory Services

Subject: Final Report: Lalum'utul'Smun'eem Child and Family Services

Please find enclosed the final report on the financial compliance review of Lalum'utul'Smun'eem Child and Family Services. This portion of the broader common review was sponsored by the Ministry of Children and Family Development (MCFD), and by Aboriginal Affairs and Northern Development Canada (AANDC), BC Region.

The purpose of the common review is to help improve accountability and partnering with First Nations for children's services. This report reflects the results of the financial compliance review component of the overall common review, and excludes any assessment of the quality of case management. MCFD is responsible for completing the case practice audit and operational review component of each common review.

Our high-level observations are located in the overview section of the report, while specific details have been provided in Schedules A through D of the report.

If you have any questions or comments related to this report, please contact Heather Brost, Business Advisor, at: (250) 387-9223.

Chris Brown
A/Executive Director
Internal Audit & Advisory Services

Enclosure
pc's (see attached distribution list)

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Project No.: 039230

Report on Lalum'utul'Smun'eem Child and Family Services

Ministry of Children and Family Development

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Internal Audit & Advisory Services
Ministry of Finance
Province of British Columbia

Date of fieldwork completion: June 2011

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Abbreviations

AANDC	Aboriginal Affairs and Northern Development Canada
AANDC BC	AANDC, BC Region
CCO	Continuing Custody Order
CIC	Children in Care, meaning children in legal care of the Ministry of Children and Family Development or delegated aboriginal agencies under the *Child, Family and Community Services Act*
CRC	Criminal Record Check
LSCFS or the agency	Lalum'utul'Smun'eem Child and Family Services
MCFD or the ministry	Ministry of Children and Family Development
MIP	Master Insurance Program
NOA	Notice of Admission
SSA	Support Services Agreement
the Finance Department	Cowichan Tribes Finance Department
VCA	Voluntary Care Agreement

Overview

We have completed our financial compliance review of Lalum'utul'Smun'eem Child and Family Services (LSCFS or the agency). The Ministry of Children and Family Development (MCFD or the ministry) and Aboriginal Affairs and Northern Development Canada, BC Region (AANDC BC), jointly sponsored the review. The purpose of this review is to help improve accountability and partnering with First Nations for aboriginal children and family services.

The financial compliance review focused on LSCFS's maintenance billings to Aboriginal Affairs and Northern Development Canada (AANDC) for Children in Care (CIC), and in out-of-care placement. It also focused on documentation within the agency's AANDC-funded caregiver files, and on selected financial and administrative matters. In addition, MCFD requested that we examine MCFD off-reserve CIC files, as part of this review.

These reviews are conducted on a three-year-rotational basis. This is the second financial compliance review conducted in this agency. Our review covered the scope period: April 1, 2010 to March 31, 2011.

This report excludes any assessment of the quality of case management (i.e., practice standards review, or audit of child files), and operational management. MCFD is responsible for completing the case practice audit and operational review.

AANDC-Funded Child Maintenance Billings

We reviewed 33 AANDC-funded child maintenance files and found that 30 of these files met or partially met AANDC's terms and conditions for funding. The reviewed files relate to children who were in legal care and/or under an out-of-care placement agreement during the defined scope period.

We identified three files that did not meet AANDC's terms and conditions for funding. These files relate to three siblings who were admitted into care for a portion of our scope period, whose custodial parents resided off-reserve on the children's admission date.

We noted that AANDC was billed at a daily foster-care per diem, rather than at actual cost (up to a maximum threshold), in three of our samples. All samples relate to children cared for under a Support Services Agreement (SSA).

We also noted some discrepancies, mainly in the form of potential funding shortfalls, in the case of seven children we reviewed. We were informed that a delay in acquiring band registration numbers for some of these children may have contributed to this problem.

In one of our samples, a s.22

s.22

s.22 Although a bed was not retained for this child at the group home, and the group home was not paid for this child's care between April 1 and April 26, 2010, the agency continued to bill AANDC at the daily group-care rate of $250.96 for this 26-day period (a subsequent review of financial records showed that LSCFS was funded by AANDC for these 26 days, but at the lower foster-care rate of $73.78). LSCFS advised us that under MCFD's Residential Services Bed-Specific Policy, resident absenteeism does not negate an agency's responsibility to provide guardianship and support services to its children, services LSCFS continued to provide this child via social worker contact throughout this period. We suggest that AANDC and the agency review this case to confirm LSCFS's funding eligibility in respect to this child.

Results

Criteria Rating			
Met	Partially Met	Not Met	Unable to Determine
29	1	3	0

Number of sampled (sample size = 33) AANDC-funded child maintenance files for which the associated billings met AANDC's terms and conditions for funding.

Our detailed observations and potential billing adjustments are presented in Schedule A, for review and consideration by AANDC, MCFD, and the agency.

We also reviewed a two-month sample of the entire population of AANDC-funded children and found that for each of these children, the agency either paid a caregiver or otherwise made payments in support of the child, for all of the days for which AANDC was billed.

MCFD-Funded Child Maintenance Billings

We reviewed 30 MCFD-funded child maintenance files and found that 25 of these files met or partially met MCFD's terms and conditions for funding. The reviewed files relate to children who were in legal care during the scope period.

We identified five files that did not meet MCFD's terms and conditions for funding. These included four Continuing Custody Order (CCO) files and one Voluntary Care Agreement (VCA) file s.22 s.22 We were advised by the agency that a s.16 for some of these children may have contributed to these irregularities.

s.22

s.22 The agency informed us that, while a bed for this child was not maintained within the home, LSCFS continued to bill MCFD for this child due to the agency's continued obligation to provide guardianship and support services to the child, under MCFD's Residential Services Bed-Specific Policy. In regards to a s.22 LSCFS continued to bill MCFD for the child's care s.22 based again on LSCFS's continued obligation to provide guardianship services and support to this child and his family. We suggest that MCFD work with LSCFS to review the circumstances of the above cases, to confirm the agency's funding eligibility in respect to these children.

Results

Criteria Rating			
Met	Partially Met	Not Met	Unable to Determine
22	3	5	0

Number of sampled (sample size = 30) MCFD-funded child maintenance files for which the associated billings met MCFD's terms and conditions for funding.

Our detailed observations and potential billing adjustments are presented in Schedule B, for review and consideration by AANDC, MCFD, and the agency.

We also reviewed a two-month sample of the entire population of MCFD-funded children and found that, for each of these children in legal care, with the exception of two cases (cited above), the agency paid a caregiver for all of the days for which MCFD was billed.

Concurrent Billings

We compared the population of children funded by AANDC, to the population of children funded by MCFD, and identified s.22 who was funded concurrently by AANDC and MCFD during the months of April and May 2010. A follow-up review of associated legal documents indicated that at the child's admission date, the s.22 thereby making this child AANDC's responsibility. We suggest that AANDC, MCFD and the agency review this file to confirm the necessary billing adjustment.

AANDC-Funded CIC Caregiver Files

Our sample consisted of seven AANDC-funded CIC caregivers, including six foster-homes and one group home. We reviewed the associated resource files based on criteria consistent with Appendix C of the AANDC Child and Family Services Review Process. MCFD-funded CIC caregivers were not within the scope of this review.

In general, the resource files contained evidence of appropriate caregiver contracts, criminal record checks (CRC), compliance with provincial requirements (i.e., copies of medical exams, reference letters, training certificates), and ongoing caregiver monitoring. We also noted that LSCFS has developed a suitable diary system to alert the agency to actions due in regards to its caregivers. It was also confirmed that all caregiver payments released by LSCFS to its foster parents were made in full conformance with contract-prescribed and/or MCFD-approved payment rates.

In terms of opportunities to enhance controls, we suggest that all caregiver contracts be signed on a timely basis, that the wording in the MCFD Insurance Schedule, as used by LSCFS, be amended to reference the Government's Master Insurance Program (MIP), and that a policy on CRC renewal frequency be developed by LSCFS. We also suggest that annual reviews and home studies be performed and documented on a timely basis. In respect to the group home, we suggest that the contract rate be prescribed within the contract, and that appropriate documentation (i.e., all contract-related documents and a copy of the group-home licence) be retained on file.

Subsequent to this review, we were informed that LSCFS has taken and/or planned a number of actions to further strengthen controls over its caregivers and associated resource files. For example, LSCFS has obtained and placed on file, a copy of the missing group home licence; has incorporated new management-level signoffs into its contract writing process; and, plans to develop a 3-year CRC renewal requirement for all caregivers. These and other planned initiatives will be reflected in LSCFS's Support Services Policy Manual.

Results

Criteria Rating			
Met	Partially Met	Not Met	Unable to Determine
3	5	0	1

Results of our evaluation of a sample of seven AANDC-funded caregiver files based on nine prescribed performance criteria (e.g., three of nine performance criteria were fully 'Met' for the sample of files tested).

Schedule C outlines our detailed observations and conclusions on each of the nine criteria against which the agency's performance was evaluated.

Financial and Administrative Procedures

The agency is operating under a current delegation of authority under applicable legislation, and is insured under the Government's MIP. Also, LSCFS has established proper controls to secure and safeguard their confidential CIC and resource files and information.

The Cowichan Tribes Finance Department (the Finance Department), which provides financial management services to LSCFS, is in the later stages of developing and finalizing its financial law and policies over budget and reporting processes, revenues and expenditures, assets and liabilities.

Expenditure activity, including that which is carried out on behalf of LSCFS by the Finance Department, is generally well controlled through the application of expenditure and payment authorizations, a strong segregation of financial duties, and through effective internal control procedures. s.16

s.16

s.16 In response to this concern, and to LSCFS's need for higher expense authority limits in order to carry out its mandate to deliver confidential and/or time-sensitive services, the Finance Department developed a new interim policy (pending finalization of the Cowichan Tribes Financial Law and Policies), that provides clarity around expenditure authority limits, and which increases the Executive Director's authority to $10K on qualified purchases.

Bank reconciliations are performed by the Finance Department. However, in reviewing the bank reconciliations for our scope period, we noted that the bank balance (per the adjusted bank statement balance) has not been successfully reconciled to the general ledger balance, with a discrepancy of $8,831 noted. We understand that this variance was detected by Finance Department staff many months ago, but has never been fully investigated or corrected. We

also noted that s.17 s.17 arrears at the time of this review. The full and timely completion of monthly bank reconciliations serves as a critical control in ensuring that agency funds are safeguarded from loss due to errors or misappropriation. The Cowichan Tribes Finance Department has since informed us that the $8,831 bank reconciliation discrepancy constitutes an unreconciled error that goes back many years, and that the Finance Department is currently in the process of clearing this difference. Also, they advised us that periodic staff shortages coupled with bank failure to sometimes return all cancelled cheques, has, on occasion, affected the timelines of the Finance Department's bank reconciliation activity.

Budgeting, reporting and monitoring of the agency's finances, with support from the Finance Department, is generally sound.

In the previous financial compliance review of LSCFS (conducted in 2005/06), it was recommended that:

- the Cowichan Tribes Finance Department take immediate action to bring the bank reconciliations up-to-date and develop policy to ensure that bank reconciliations are prepared on a timely basis; and
- the Cowichan Tribes Finance Department and the agency continue to work together to develop a service agreement for the provision of financial management services.

We were informed by the agency that these recommendations were brought to the attention of the Cowichan Tribes Finance Department by LSCFS. However, by the time of this subsequent review in 2011, these recommendations had not been fully addressed.

We have since been informed by the Finance Department that the Department's policy on bank reconciliations is that they be done monthly, and by someone who does not perform bank deposits. This policy is currently being written into its new Cowichan Tribes Financial Law and Policies.

Results

Criteria Rating			
Met	Partially Met	Not Met	N/A
6	3	2	0

Results of our evaluation of the agency's financial and administrative processes and procedures based on 11 prescribed performance criteria.

Schedule D outlines our detailed observations and conclusions on each of the 11 criteria against which the agency's performance was evaluated.

We would like to thank the management and staff of Lalum'utul'Smun'eem Child and Family Services, and of the Cowichan Tribes Finance Department, for their cooperation throughout this review. We would also like to thank AANDC BC and MCFD for their input.

Chris Brown
A/Executive Director
Internal Audit & Advisory Services

December 6, 2011

Schedule A: AANDC-Funded Child Maintenance Billings

Objective

To determine whether the agency's maintenance billings for children in care of the Director, or in out-of-care placement, met AANDC's terms and conditions for funding.

The results of our review of a sample of 33 AANDC-funded child maintenance files are reported below.

AANDC's terms and conditions for funding = Met

File	Comments and/or Potential Billing Adjustments
01 – 02	No comments and billing adjustments are necessary for these files.
05	
08 – 16	
18 – 19	
22 – 23	
27	
30 – 31	
03	s.22 however, funding for the s.22 days that this child was in care during s.22 was not received from AANDC. The agency informed us that funding for this child, for this period, may have been denied by AANDC due to the s.22 on the dates for which the maintenance was claimed. Records indicate that the agency re-submitted a claim in February 2011 for the October 2010 funding; however, it remains unclear whether this funding was subsequently provided. s.22 on or after November 1, 2010, and a Notice of Admission (NOA) was submitted to AANDC on or after this same date, AANDC-funding rules dictate that AANDC became financially responsible for this child on s.15 since AANDC is financially responsible back to the earliest of: • April 1st of the previous fiscal year to which notification was received; or • the date the child came into care. <u>Potential Adjustment</u> s.22 and a NOA has been submitted to AANDC, AANDC, if confirmed to be the proper funder, would have been required to fund the agency $3,468 (i.e., s.22, s.17 s.17, s.22 for this child, for the months of s.22

File	Comments and/or Potential Billing Adjustments
04	The child was under a SSA and AANDC should be billed at actual costs up to a maximum threshold, rather than at the daily foster-care per diem. Potential Adjustment AANDC was erroneously billed a s.17, s.22 s.22, s.17 for a total of $4,796, while actual s.22 costs were $5,908. Since AANDC's funding rules allow for funding at the lesser of $5,908 (i.e., actual costs) versus $5,680 (i.e., s.17, s.22 for s.22 the potential billing adjustment is $884 (i.e., $5,680 - $4,796).
06	s.22 ; however, based on our review of funding reports, no funding was received from AANDC for this child for the months of s.22 Potential Adjustment AANDC funded the agency $20,216 (i.e., s.17, s.22 s.17, s.22 when the agency may have qualified for funding in the amount of $22,798 (i.e., s.17, s.22 , for a potential billing adjustment of $2,582 (i.e., $22,798 - $20,216).
07	s.22 however, based on our review of funding reports, AANDC provided funding to LSCFS for s.22 s.22 which suggests a potential over-funding error of three days. Potential Adjustment AANDC funded the agency $23,019 (i.e., s.17, s.22 s.17, s.22 when the agency may have qualified for funding in the amount of $22,798 (i.e., s.17, s.22 for a potential billing adjustment of minus $221 (i.e., $22,798 - $23,019).
17	s.22 and the billing reports received from AANDC and MCFD indicate that maintenance costs for this child, during our scope period, were funded by MCFD from s.22 and, by AANDC from s.22 We also understand that LSCFS requested AANDC funding for this child for the month of s.22 but that funding was not provided (records indicate that LSCFS re-submitted a claim to AANDC in February 2011 for the s.22 funding; however, it remains unclear as to whether this funding was subsequently provided). Subsequent to fieldwork, we were informed that s.22 s.22 Assuming that a NOA was submitted by LSCFS to AANDC sometime on or after s.22 AANDC-funding rules dictate that AANDC became financially responsible for this child on either: • s.22 if NOA submitted between May 11, 2010 – March 31, 2011); or • s.22 (if NOA submitted on or after April 1, 2011) since AANDC is financially responsible back to the earliest of: • April 1st of the previous fiscal year to which notification was received; or • the date the child came into care.

File	Comments and/or Potential Billing Adjustments
	Potential Adjustment Assuming that a NOA has been submitted to AANDC, AANDC, if confirmed to be the proper funder, would have been required to fund the agency $26.930 (i.e., s.22, s.17 s.17, s.22 for this child, for our s.22 day scope period (i.e., s.22 However, since LSCFS received funding of $10,671 (i.e., s.22, s.17) from MCFD for the period: s.22 and, funding of $11,141 from AANDC (i.e., s.22, s.17 for the period: s.22 s.22 , the potential billing adjustment is $5,118.
24	s.22 should be billed at actual costs up to a maximum threshold, rather than at a daily s.22 per diem. Potential Adjustment AANDC was erroneously billed at s.17, s.22 s.22, s.17 for a total of $2,951, while actual respite costs were $1,472 (i.e., s.22, s.17 s.17, s.22). However, since AANDC's funding rules allow for funding at the lesser of $1,472 (i.e., actual costs) versus $3,495 (i.e., the daily s.17, s.22 the potential billing adjustment is minus $1,479 (i.e., $1,472 - $2,951).
25	Same comments as in sample 24 above. Potential Adjustment AANDC was erroneously billed at s.17, s.22 s.17, s.22 for a total of $3,099, while actual respite costs were $1,545 (i.e., s.22, s.17 s.17, s.22 However, since AANDC's funding rules allow for funding at the lesser of $1,545 (i.e., actual costs) versus $3,670 (i.e., the daily s.22, s.17 , the potential billing adjustment is minus $1,554 (i.e., $1,545 - $3,099).
28	s.22 s.22 The agency billed AANDC for the s.22 s.22 s.22 that s.22 however, based on the funding reports provided by AANDC, the agency received no funding for this child for the month of October 2010. We understand that a re-submission for this funding was made by LSCFS to AANDC in February 2011; however, it remains unclear as to whether this funding was subsequently provided. Also, it appears, based on caregiver payment records provided to us by LSCFS, that the agency may have paid for s.22 s.22 without requesting or receiving compensating funding from AANDC. Potential Adjustment AANDC's total funding obligation to the agency for our scope period appears to be $3,503 (i.e s.17, s.22 s.17, s.22 plus, $773 for the s.17, s.22 s.17, s.22 Since AANDC funded the agency $2,582 for this same period, the potential billing adjustment is $921 (i.e., $3,503 - $2,582).

File	Comments and/or Potential Billing Adjustments
29	Same comments as in sample 28 above; except that it appears, based on caregiver payment records provided to us by LSCFS, that the agency may have paid for s.17, s.22 s.17, s.22), without requesting or receiving compensating funding from AANDC. Potential Adjustment AANDC's total funding obligation to the agency for our scope period appears to be $3,540 (i.e., s.17, s.22 s.17, s.22 plus, $810 for the s.17, s.22 s.17, s.22 Since AANDC funded the agency $2,582 for this same period, the potential billing adjustment is $958 (i.e., $3,540 - $2,582).
32	Same comment and potential billing adjustment as in sample 17 above.
Total Files = **29**	

AANDC's terms and conditions for funding = Partially Met

File	Comments and/or Potential Billing Adjustments
33	s.22 s.22 However, as an agency social worker maintained regular contact with this child, and given the legal guardianship obligations which remained for LSCFS up until the child's discharge date, the agency continued to bill AANDC, at a s.17, s.22 s.17, s.22 (we understand that a bed was not maintained at the s.22 for this child, and that the s.22 was not paid for this child's care during this period). Based on the funding reports received from AANDC, the agency was in fact funded by AANDC for the s.17, s.22 Potential Adjustment We suggest that AANDC and the agency review this case together to determine whether any billing adjustment is necessary, given the circumstances presented.
Total Files = 1	

AANDC's terms and conditions for funding = Not Met

File	Comments and/or Potential Billing Adjustments
20	s.22 Potential Adjustment AANDC appears to have erroneously funded the agency for s.17, s.22 n the amount of $1,476 (s.17, s.22 and for s.17, s.22 in the amount of $9,001 s.17, s.22 s.17, s.22 for total funding of $10,477. If confirmed to be the proper funder, MCFD would have been required to fund the agency $736 for s.17, s.22 s.17, s.22 and $7,114 for s.17, s.22 s.17, s.22 for total funding of $7,850. The potential billing adjustment is minus $2,627 (i.e., $7,850 - $10,477) for this child.
21	Same comments as in sample 20 above. Potential Adjustment AANDC appears to have erroneously funded the agency for respite care in the amount of $1,845 s.17, s.22 n the amount of $9,001 s.17, s.22 s.17, s.21 total funding of $10,846. If confirmed to be the proper funder, MCFD would have been required to fund the agency $920 for s.17, s.22 s.17, s.22 , and $7,114 for s.17, s.22 s.17, s.22 per diem of $58.31), for total funding of $8,034. The potential billing adjustment is minus $2,812 (i.e., $8,034 - $10,846) for this child.
26	Same comments as in sample 20 above. Potential Adjustment AANDC appears to have erroneously funded the agency for respite care in the amount of $443 (i.e. s.17, s.22 and for s.17, s.22 in the amount of $9,001 (i.e., s.17, s.22 s.17, s.22 for total funding of $9,444. If confirmed to be the proper funder, MCFD would have been required to fund the agency $242 for s.17, s.22 s.17, s.22 and $7,114 for regular s.17, s.22 s.17, s.22 , for total funding of $7,356. The potential billing adjustment is minus $2,088 (i.e., $7,356 - $9,444)) for this child.
Total Files = 3	

AANDC's terms and conditions for funding = Unable to Determine

File	Comments and/or Potential Billing Adjustments
N/A	This rating does not apply to any of the files in our sample.
Total Files = 0	

Schedule B: MCFD-Funded Child Maintenance Billings

Objective

To determine whether the agency's maintenance billings for children in care of the Director, or in out-of-care placement, met MCFD's terms and conditions for funding.

The results of our review of a sample of 30 MCFD-funded child maintenance files are reported below.

MCFD's terms and conditions for funding = Met

File	Comments and/or Potential Billing Adjustments
01	In sample 01 and 24, the custodial parent(s) of the child resided on-reserve on the child's admission date; however, as we understand that the child is not yet a registered band member, MCFD is currently responsible for funding the child's care. Once the child becomes a registered band member, responsibility for this child will transfer to AANDC.
03	
05 - 07	
09 - 14	
16	
18	
20 – 27	
30	
Total Files = 22	

MCFD's terms and conditions for funding = Partially Met

File	Comments and/or Potential Billing Adjustments
04	s.22 We also understand that LSCFS continued to bill MCFD for this child's care (MCFD funded the agency at the s.17, s.22 s.22 s.22 which remained for the agency. Potential Adjustment We suggest that MCFD and the agency review this case together to determine whether any billing adjustment is necessary, given the circumstances presented. We also suggest that a regional funding policy be developed to help govern future cases involving long-term child absenteeism from approved placements.

17	s.22 s.22 The agency continued to pay the caregiver, and continued to make the caregiver's home available to the child, throughout this period. Potential Adjustment Same as sample 04 above.
29	s.22 s.22 A review of the agency's billing records for our scope period, and MCFD's corresponding funding reports, show that the agency was funded for this child at a s.17, s.22 even though a bed was not maintained, and the s.22 was not paid for this child's care, during this period. We understand from our discussions with LSCFS that the agency continued to bill MCFD for this child due to LSCFS's continued obligation to provide guardianship and support services to this child. Potential Adjustment Same as sample 04 above.
Total Files = 3	

MCFD's terms and conditions for funding = Not Met

File	Comments and/or Potential Billing Adjustments
02	s.22 Potential Adjustment MCFD funded the agency at a s.17, s.22 for a total of $21,283. AANDC, if confirmed to be the proper funder, would have been required to provide the agency $26,930 in funding s.17, s.22 s.17, s.22 , for a potential billing adjustment of $5,647 (i.e., $26,930 - $21,283).
08	Same comment and potential billing adjustment as in sample 02 above.
15	Same comment as in sample 02 above. Also, we were advised by the agency that this irregularity likely resulted from the s.22 on the child's last date of admission into care on s.22 Subsequent to fieldwork, we were informed that an s.22 s.22 . Assuming that a NOA was submitted by LSCFS to AANDC sometime on or after January 5, 2010, AANDC-funding rules dictate that AANDC became financially responsible for this child on either: • s.22 (if NOA submitted between January 5, 2010 – March 31, 2010); • April 1, 2009 (if NOA submitted between April 1, 2010 – March 31, 2011); or • April 1, 2010 (if NOA submitted on or after April 1, 2011)

File	Comments and/or Potential Billing Adjustments
	since AANDC is financially responsible back to the earliest of: • April 1st of the previous fiscal year to which notification was received; or • the date the child came into care. Potential Adjustment For our defined scope period (i.e., April 1, 2010 to March 31, 2011), the potential billing adjustment, assuming that LSCFS submitted a NOA to AANDC, and if AANDC is confirmed to be the proper funder, is the same as in sample 02 above.
19	Same comments as in sample 15 above, except that s.22 s.22 Also, funding records showed that this child was funded from s.22 by AANDC; and, from s.22 s.22 Subsequent to fieldwork, we were informed that s.22 s.22 Assuming that a NOA was submitted by LSCFS to AANDC sometime on or after s.22 AANDC-funding rules dictate that AANDC became financially responsible for this child on either: • s.22 (if NOA submitted from December 24, 2009 – March 31, 2011); or • April 1, 2010 (if NOA submitted on or after April 1, 2011). since AANDC is financially responsible back to the earliest of: • April 1st of the previous fiscal year to which notification was received; or • the date the child came into care. Potential Adjustment MCFD funded the agency $3,557 (i.e., s.17, s.22 s.17, s.22 while AANDC funded the agency for all s.17, s.22 s.17, s.22 If AANDC is confirmed to be the proper funder, the potential billing adjustment to remedy this concurrent funding error is minus $3,557.
28	Same comments as in sample 02 above. Also, the agency was unable to provide physical evidence of a VCA to support the s.17, s.22 billings for this child. An agreement should be in place to support the entire period for which an agency provides support to, and requests funding for, a child or youth. Potential Adjustment MCFD funded the agency at a daily s.17, s.22 ; for a total of $58,108. AANDC, if confirmed to be the proper funder, and if accepting of LSCFS's billings without physical evidence of a supporting VCA, would have been required to fund the agency $73,280 (i.e., s.17, s.22 s.17, s.22 for a potential billing adjustment of $15,172 (i.e., $73,280 - $58,108). However, if AANDC elects not to accept LSCFS's billings without physical evidence of a supporting VCA, AANDC may have been required to provide $28,108 (i.e., s.17, s.22 for which VCAs were physically proven to be in place), for a potential billing adjustment of minus $30,000 (i.e., $28,108 - $58,108).
Total Files = 5	

Schedule C: AANDC-Funded Caregiver Files

Objective

To assess whether caregivers (i.e., foster parents, group homes, and institutions) of AANDC-funded CICs have current contracts, adequate insurance coverage, and meet other prescribed criteria for the level of care billed.

The results of our evaluation of a sample of seven AANDC-funded CIC caregivers, including six foster homes and one group home, based on nine prescribed criteria, are summarized below.

Criteria = Met

Criteria	Description
04	Caregivers in foster homes have met provincial training requirements.
07	A suitable diary system is maintained to ensure follow-up for required actions.
08	Criteria Caregiver payments are consistent with the contract-prescribed payment rate (foster homes and group homes); and, with the MCFD-approved rate for the type/level of care provided (foster only). Observations Overall, the agency has ensured that all payments to foster parents were made in conformance with contract-prescribed and/or MCFD-approved payment rates, with the possible exception of the group-home contract where the payment rate was not prescribed within the contract.
Total Criteria = 3	

Criteria = Partially Met

Criteria	Description and Observations
01	Criteria Caregivers of AANDC-funded CICs were supported by signed contracts while providing care. Observations We reviewed a total of 11 contracts within the six foster-home and one group-home file(s). While there were valid contracts in place for each of the caregivers, we noted seven out of the 11 contracts were signed late, including the group-home agreement which was signed seven months into the contract term; and, one foster-home agreement was signed by the agency but not dated. Also, in one file, the contract contained only one caregiver name while two caregivers were noted on the caregiver application form. In another file, the contract was signed after the children were placed in the home, and the contract was not renewed on a timely basis. In terms of the group-home file, we found that certain documentation (i.e., contract and licence) was not retained within the file, and that the contract payment rate was not

Criteria	Description and Observations
	specified within the contract. Having signed contracts in place before caregivers provide services helps ensure that the expectations of both parties are clear, and that required services are delivered. Properly signed contracts also help ensure caregiver coverage under the Government's MIP, which reduces potential liability to all contract parties.
02	Criteria Caregivers have adequate liability insurance coverage. Observations The agency used the MCFD Insurance Schedule, which contained an out-of-date reference to the BC Federation of Foster Parent Associations for Comprehensive General Liability (CGL) insurance, in its family care home agreement. Also, there was no evidence in the files to confirm that the caregivers hold current and valid home and auto insurance coverage. The ministry's insurance schedule should reflect the Provincial Government's MIP as the current provider of CGL insurance. Also, although not a requirement of the Aboriginal Operational and Practice Standards and Indicators, it is good practice to confirm and document whether caregivers hold valid home and auto insurance coverage, to reduce potential liability to the agency and its caregivers.
03	Criteria Caregivers in foster homes have undergone CRCs. Observations The agency has ensured that all of its AANDC-funded caregivers have undergone a CRC; and, with the exception of one caregiver, all CRCs meet or exceed the Criminal Records Review Act requirement of being five years current. We did note however, that the renewal frequency of CRCs is not currently documented in LSCFS policy. Given the risks and vulnerabilities associated with child and youth care services, it is good practice for an agency to develop a CRC policy against which caregivers can be monitored.
05	Criteria Annual reviews of caregivers in foster homes are performed and adequately documented, and there is ongoing monitoring of caregivers. Observations Of the six caregiver (i.e., foster-home) files reviewed, one file contained no evidence of an annual review having been performed, while the other two files contained annual reviews which were not timely. Annual reviews and ongoing monitoring of caregivers, with proper documentation of the same, will help LSCFS demonstrate due diligence in providing quality services to children.

Criteria	Description and Observations
06	Criteria Caregivers in foster homes have met provincial requirements for approval (i.e., home studies, medical exams, reference checks). Observations Of the six files reviewed, all of the files contained the documentation necessary to demonstrate satisfaction of provincial requirements relating to medical exams and reference checks. In terms of the home study requirement, one file contained no evidence of a home study being performed, while another file showed that the home study was completed after the family care home contract was signed. By conducting a home study prior to the approval of a caregiver, and retaining the supporting documentation on file, the agency will be in a stronger position to demonstrate due diligence in the screening and selection of its caregivers.
Total Criteria = 5	

Criteria = Unable to determine

Criteria	Description
09	Criteria Recommendations made to the agency in prior financial compliance reviews have been followed-up by AANDC. Observations AANDC was not aware of any follow-up to the recommendations made in the prior financial compliance review of LSCFS (conducted in 2005/06). Through appropriate follow-up activity, AANDC can gain better assurance that the agency's children are being placed with caregivers who hold valid contracts, and who have been properly screened, trained and monitored.
Total Criteria = 1	

Schedule D: Financial and Administrative Procedures

Objective

To determine whether the agency's financial and administrative procedures are consistent with the requirements of Appendix C of the AANDC Child and Family Services Review Process, per the criteria prescribed below.

The results of our evaluation of the agency's financial and administrative procedures, as based on 11 prescribed criteria, are summarized below.

Criteria = Met

Criteria	Description
01	The agency is operating under a Delegation Enabling (or Confirmation) Agreement with MCFD that is in good standing.
02	The agency is a Registered Society, an Indian Band legally established under the Indian Act, or incorporated under an Industry Canada Letters Patent.
03	If a Registered Society, the agency's annual 'report filed' date is current.
04	The Agency has $2,000,000 CGL insurance, and has Directors and Officers liability insurance.
05	The agency has a secure storage facility to ensure that there is no unauthorized access to CIC and caregiver files.
07	Council members and staff have ready access to financial management policies and procedures.
Total Criteria = 6	

Criteria = Partially Met

Criteria	Description and Observations
06	Criteria The Financial Management Policy and Procedures Manual (FMPPM) covers controls over: • budgets and financial reporting; • revenues and expenditures; and • assets and liabilities. Comment The Finance Department, which provides financial management services to LSCFS, is in the later stages of developing and finalizing its financial management policies and procedures, within its Cowichan Tribes Financial Law and Policies document.

Criteria	Description and Observations
08	Criteria Expenditure activity is controlled through proper authorizations, segregation of financial duties, and appropriate internal controls. Comment Expenditure activity, including that which is carried out on behalf of LSCFS by the Finance Department, is generally well controlled through the application of expenditure and payment authorizations, a strong segregation of financial duties, and through effective internal control procedures. s.16 s.16 s.16 In response to this concern, and to LSCFS's need for higher expense authority limits in order to carry out its mandate to deliver confidential and/or time-sensitive child and family services, the Finance Department developed a new interim policy (pending finalization of the Cowichan Tribes Financial Law and Policies), that provides clarity around signing authority limits, and which increases the Executive Director's expenditure authority limit to $10K on qualified purchases.
09	Criteria There are appropriate controls over cheques. Comment All cheques produced on behalf of LSCFS require two authorizing signatures, and we found no evidence of pre-signed cheques. Also, there is a designated printer for printing cheques; however, this printer is located in a publicly accessible area of the Finance Department, and the unused cheque stock is not removed from this printer once cheque runs are complete.
Total Criteria = 3	

Criteria = Not Met

Criteria	Description
10	Criteria Bank reconciliations are complete, timely and separately reviewed. Observations Bank reconciliations are performed by the Finance Department. However, in reviewing the bank reconciliations for our scope period, we noted that the bank balance (per the adjusted bank statement balance) has not been successfully reconciled to the general ledger balance, with a discrepancy of $8,831 noted. We understand that this variance was detected by Finance Department staff many months ago, but that it was never fully investigated or corrected. We also noted that the bank reconciliations are not being prepared on a timely basis, with the reconciliations being two to three months in arrears at the time of this review. The full and timely completion of monthly bank reconciliations serves as a critical control in ensuring that agency funds are safeguarded from loss due to errors or misappropriation.

11	Criteria Recommendations made in prior financial compliance reviews related to Objective C have been implemented by the agency. Observations In the previous financial compliance review of LSCFS (conducted in 2005/06), it was recommended that: • the Finance Department take immediate action to bring the bank reconciliations up-to-date; and, develop policy to ensure that bank reconciliations are prepared on a timely basis; • the Finance Department and the agency continue to work together to develop a service agreement for the provision of financial management services. We were informed by the agency that these matters were brought to the attention of the Finance Department following the 2005/06 review. However, by the time of this subsequent review in 2011, these issues had not been fully addressed.
Total Criteria = 2	

Project No.: 125013

Report on Barkerville Heritage Trust

Ministry of Forests, Lands and Natural Resource Operations

Distribution List

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Internal Audit & Advisory Services
Ministry of Finance

Date of fieldwork completion: October 2010

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Abbreviations

BHT or the trust	Barkerville Heritage Trust
COI	Conflict of Interest
HSMA or the agreement	Heritage Site Management Agreement
the ministry	the Ministry of Tourism, Culture and the Arts – Heritage Branch, now in the Ministry of Forests, Lands and Natural Resource Operations
the province	The Province of British Columbia

Executive Summary

Background and Purpose

In 2005, the Barkerville Heritage Trust (BHT or 'the trust') was created by local interests, incorporated under the *BC Society Act* and registered as a charity and non-profit organization. BHT and the Ministry of Tourism, Culture and the Arts – Heritage Branch, now in the Ministry of Forests, Lands and Natural Resource Operations ('the ministry') entered into a 15-year Heritage Site Management Agreement, to develop and operate the Barkerville Heritage Site.

The purpose of this engagement/review was to provide ministry management with an assessment on the BHT's governance practices, its use of ministry funding and its capacity to deliver the contracted services in a manner that is consistent with the long term viability of the site. The scope of the engagement included a review of BHT's utilization of funding received and an assessment of BHT's management practices for the period April 1, 2005 to June 30, 2010.

Review Approach

In carrying out the review, our approach included the following activities:

- reviewed relevant policies, documentation and contracts at BHT;
- interviewed relevant BHT employees and a sample of board members;
- reviewed and evaluated the financial controls in place;
- tested a sample of financial transactions;
- reviewed the procurement policies and procedures, including testing a sample of third party contracts; and
- consulted with the ministry staff as appropriate.

Overall Assessment

Our review concluded that all expenditures funded under the Heritage Site Management Agreement were reasonable in amount, were incurred by BHT in accordance with the approved budget and

terms of the agreement, and were made exclusively for fulfilling the purpose and objectives of the trust.

We noted that the trust's efforts were focused towards cost containment strategies, revenue generating streams and improved visitor experience. Our review noted several opportunities for further enhancing the internal control framework at BHT. Specifically, there was a lack of segregation of duties relating to the processing of supplier invoices, disbursements to suppliers and the preparation of bank reconciliations. We recognize the remoteness as well as the relative size of BHT's operations and have provided recommendations that take account of these limitations.

During the period covered by our review, BHT incurred some significant capital expenditures (e.g., the sawmill renovations and enhancements, as well as the acquisition of a new stagecoach). In both these cases, we noted an absence of appropriately detailed business cases to support these expenditure decisions.

Furthermore, in several instances (including the acquisition of the stagecoach), we noted a clear absence of a competitive bid process. Overall, we identified several opportunities for improvement in BHT's procurement processes, as well as management's oversight of contractors for significant projects.

Our report provides recommendations that would help BHT to demonstrate due regard for efficiency and economy of operations, support procurement decision-making and to enhance its operations in line with good business practices. We encourage BHT to review the provincial government's procurement policies and, where appropriate consider their adoption, tailoring these to BHT's specific needs and situation.

BHT's governance structure could also be enhanced by adopting and implementing recommendations contained in a June 2006 report titled "A Framework for Sustaining Barkerville". The report was commissioned by BHT's Board of Directors.

We also noted that the ministry may not have been able to fully and effectively perform its oversight role. Our assessment is supported by the fact that BHT:

- Has not provided to the ministry all the reports specified in the Site Management Agreement. While there were significant delays in BHT providing some of these reports to the ministry, other reports were not provided to the ministry at all.

- Has not developed and implemented an appropriate set of performance measures to assess the progress towards fulfilling its objectives. As a result, we have recommended that BHT in consultation with the ministry, if appropriate, develop a set of relevant performance measures that would enable an assessment of the achievement of BHT's objectives.

Lastly, BHT has been in arrears in repaying the ministry the costs of seconded employees' salaries totaling in excess of $1 million as of September 30, 2010. We saw no evidence of a repayment plan for BHT reimbursing this outstanding amount to the ministry.

We would like to thank the management and staff of the Barkerville Heritage Trust, the Heritage Branch of the ministry and other stakeholders who participated in and contributed to this review for their co-operation and assistance.

Chris Brown
A/Executive Director
Internal Audit & Advisory Services

November 28, 2011

Introduction

Following the BC government's core review in 2001, the Province of British Columbia (the province) recognized the desire to establish a new management model for heritage sites across the province.

Government took the initiative to devolve the operation of heritage sites throughout the province to community-based management, to encourage investment and tourism, allowing community groups, local governments and individual businesses more opportunity in managing these sites. The intent was to find mechanisms by which cherished heritage assets can be sustained for future generations while the ownership of the provincial assets remained public.

Background

In 2005, the Barkerville Heritage Trust (BHT or 'the trust') was created by local interests, incorporated under the *BC Society Act* and registered as a charity and non-profit organization. BHT and the Ministry of Tourism, Culture and the Arts – Heritage Branch, now in the Ministry of Forests, Lands and Natural Resource Operations ('the ministry') entered into a 15-year Heritage Site Management Agreement (HSMA or 'the agreement'), to develop and operate the Barkerville Heritage Site.

The purpose of the society is to:

a. manage and promote Barkerville Historic Town as a living history museum;

b. research and conserve Barkerville Historic Town;

c. teach the history of Barkerville Historic Town to school students, university students and the general public by mounting exhibitions and conducting classes, seminars, guided tours and other interpretive and educational activities;

d. cooperate with other heritage, cultural, community, business and tourism organizations to promote economic prosperity, heritage conservation and community identity; and

e. undertake such other activities which from time to time may be deemed appropriate.

The agreement's tenure is from April 1, 2005 to March 31, 2020. Starting with initial payments of $1.65M in March 2005, BHT has, as of June 30, 2010, received a total of approximately $11.2M from the Heritage Branch of the ministry as well as additional funding from other sources within the provincial government. Although

currently the ministry provides more than half of BHT's total sources of revenues, the ministry has no direct administrative role or responsibility in the day-to-day functioning of BHT. Instead, BHT's independent Board of Directors through its governance role, provides the trust with direction and oversight. The intent is for BHT and the ministry to work collaboratively for a common goal as illustrated in the purpose of the society.

BHT's total expenditures for 2009-10 were $3,771,002. In addition to the provincial contributions outlined above, BHT and its partners raise supplemental funding through various means to cover annual expenditures.

The following table summarizes the sources of BHT's funding as well as total expenditures during its first five years of operations[1]:

	Province	Other Sources	Total Funding	Total Expenditures
2006	$1,300,000	$605,086	$1,905,086	$2,177,848
2007	$1,300,000	$667,597	$1,967,597	$2,194,052
2008	$1,300,000	$996,340	$2,296,340	$2,500,709
2009	$1,555,000	$1,727,283	$3,282,283	$2,801,651
2010	$2,035,210	$1,854,819	$3,890,029	$3,771,002

The above table does not include $2M received by BHT from the province over the above 5-year period to fund capital expenditures.

In 2005, there were 14 government employees (11 regular employees and 3 auxiliaries) working at the site, who were officially seconded to BHT. The final agreement stipulated that these employees would remain on the government payroll but would take their day to day direction from the management of BHT.

In March 2010, this arrangement for the regular seconded employees was renewed until December 31, 2013. The arrangement was not continued for the auxiliary employees. Total annual costs for these employees as of March 31, 2010 amounted to approximately $725,000 which is included in the province's funding as outlined in the table above.

Given Barkerville's relative isolation and its inclement weather, additional operational costs are incurred when managing the trust's

[1] Source: BHT's audited annual financial statements (2005/06-2009/10)

assets. Likewise, public operations and consequently revenue generation opportunities are seasonal.

Purpose

The purpose of the audit was to provide ministry management with information on BHT's governance practices, the use of ministry funding, and BHT's capacity to deliver the contracted services in a manner that is consistent with the long term viability of the site.

Scope

The scope of the engagement included a review of BHT's utilization of funding received and an assessment of BHT's management practices for the period April 1, 2005 to June 30, 2010. Specifically, the review examined whether:

1. Expenditures funded under the agreement:
   - were reasonable in amount, authorized, and supported by appropriate documentation;
   - were incurred by BHT in accordance with the approved budget and terms of the agreement; and
   - were incurred solely and exclusively for fulfilling the purpose and objectives of BHT.
2. Goods and services are being acquired in an economical and efficient manner.
3. Services delivered for the program funded by the ministry are delivered as required in the agreement, and in a manner that is consistent with the long term viability of the site.
4. Roles and responsibilities of BHT Management and the Board of Directors related to management and governance:
   - were clearly defined and followed; and
   - included all significant areas of responsibility required for an effective control environment.

The scope of this review covered all expenditures incurred by BHT irrespective of their original source of funding.

This review was intended to assess BHT's compliance with the agreement as well as good business practices, and as such, was not intended to determine the adequacy of the province's funding level for BHT's operations.

Observations and Recommendations

1.0 Barkerville Heritage Trust Control Environment

Internal controls are the set of methods and measures used by an entity to monitor assets, prevent fraud, minimize errors, verify the reliability of accounting data, promote operational efficiency, and ensure that established policies are followed. The broader concept of control environment encompasses every facet of the internal control framework, including such intangibles as ethical environment and 'tone at the top' - elements that permeate throughout the organization.

1.1 Integrity, Ethical Values and Standards of Conduct

Entities establish Conflict of Interest (COI) policies in order to ensure their employees observe the highest standards of professional ethics. We were advised that BHT provides every new board member, as part of the Member Orientation Guide – Board of Directors, a Director Non-Disclosure Agreement which includes a COI section. A process for identification, assessment and mitigation of conflicts of interest is provided within the COI policy. By signing the non-disclosure agreement, directors pledge not to inappropriately discuss or disclose information obtained in the course of their duties. We noted that this requirement was fully complied with.

We noted that the COI policy is specifically designed for directors of BHT's board and not for all the employees. A COI policy is not provided to the new employees for acknowledgement. BHT needs to design a COI policy that addresses both the Board of Directors and the trust's employees. Regular reinforcement of the COI policy (including the education of new employees regarding the requirement for timely disclosures where appropriate) would go towards enhancing the ethical culture and values within BHT.

Recommendation

(1) **BHT should design a more inclusive COI policy and make it available to BHT's Board of Directors, staff, and various stakeholders, as appropriate. The policy should be reviewed regularly to ensure relevance. Furthermore, BHT management should ensure mechanisms are in place for monitoring ongoing compliance with the policy.**

1.2 Compliance with Bylaws

At the beginning of their appointment term, a director receives the Orientation and Resource Guide, a set of written briefing materials that directors may use as reference including BHT's bylaws. BHT bylaws require that every appointed director should agree to his/her appointment, in writing.

As this requirement has not been implemented, BHT is presently not in compliance with the bylaw. By complying with this requirement, the trust can ensure that nominees for the Board of Directors, who are representing various entities of common geographical interest, have created the correct environment to adequately discharge their duties. This will instill a culture that encourages new directors to fully and effectively participate in board activities. It would also help in providing greater assurance to the regional stakeholders that nominate individuals to the BHT board, of the individual board members involvement in and commitment to BHT's success.

Recommendation

(2) **BHT should ensure that every appointed director submits to the secretary in writing, his/her acceptance of the position, as per BHT's by-laws.**

1.3 Board Committees

Boards utilize specialized committees to undertake detailed reviews and to provide in-depth oversight in key areas of board responsibility. As of the date of our review, BHT had established five board committees. We noted that some of these committees met infrequently, and none of them had specific terms of reference to guide their activities.

Discussion with management indicated BHT's intent to decrease the number of committees. There is an expectation that work done by some of these committees could more effectively and efficiently be done by task forces as the activity only required a short term focus. Committees would continue to exist where an ongoing business need so requires (e.g., a finance committee).

BHT needs to ensure that a written Terms of Reference is prepared for each committee. This would provide clarity on the committees' roles and responsibilities, as well as a documented basis for future decision making.

Recommendation

(3) **BHT's board should review and assess the effectiveness of its current committee structures, and make any necessary restructuring as appropriate. Clearly stated terms of reference for each of the restructured committees would help focus on the development and delivery of the committees' objectives.**

1.4 Governance

A board's role is to advance an organization's purpose consistent with its established objectives and line of accountability to stakeholders. In the independent consultant's report commissioned by BHT's board, 'A Framework for Sustaining Barkerville' (June 2006), the report defined the governance and management structures for BHT including:

- the roles and responsibilities of the board versus that of management;
- strategy for managing heritage assets, and enhancing visitor experiences; and
- planning for BHT's longer term financial viability.

Although, discussions with the BHT board members confirmed that the board embraced the conclusions in the report, we noted that the report's recommendations were not officially adopted or implemented.

This lack of follow-up has resulted in a lack of clarity of roles between BHT's board and management. In addition, the lack of adequate action has detracted from BHT's intended goal of self sufficiency within a period of five years since its inception (also see Performance Management – Section 4.2 on page 17).

Recommendation

(4) **The Board of Directors in consultation with management should develop an action plan outlining timelines for implementation of key aspects of the June 2006 report. In addition to enhancing the board's governance and oversight role, this would also allow BHT to further its objectives for longer term financial sustainability.**

2.0 Risk Assessment and Management

Risk management is a central part of any organization's strategic management. It is the process whereby organizations address the risks that could potentially impede its ability to achieve its objectives. Although BHT's remoteness creates the potential for increased risks, BHT has never performed a comprehensive risk assessment. Its practice has been one of a reactive nature, responding to conditions based on potentially imminent threats needing urgent actions.

The trust has, on an ad-hoc basis, taken some action to address risks to its operations. For example, to address its infrastructure related risks, in September 2010, the trust hired a third party consultant to incorporate all recommendations from previous studies (Situational Analysis Report – April 2006, A Framework for Sustaining Barkerville – June 2006, Summary of 10 Year Capital Requirement – December 2007, Building Survey – Capital Rollup – November 2007) and prepare a detailed maintenance plan for BHT's consideration. Likewise, risks such as wildfire, site fire suppression, flooding and sewage have been identified through the scanning of the external environment and included in the most recent strategic plan.

We believe there is an opportunity for BHT to consolidate their current practices by introducing a structured approach to risk management. As a starting point, BHT should review its goals and objectives, and identify key impediments to achieving them. This could include compiling a list of events that could hinder BHT from fulfilling its strategic goals. Once identified, the ranking process should involve creating a rating based on likelihood, frequency and impact of the event occurring. BHT should then develop mitigation strategies to limit and minimize its exposure to these risks. This should result in BHT organizing its priorities based on the areas of highest risks. This process which should be reviewed on a regular basis (i.e., at least annually) should include financial as well as operational risks.

The HSMA stipulates that BHT's management shall inform the ministry about any accidents, incidents, disturbances, serious complaints or safety hazards. We found evidence of BHT reporting by e-mail to the ministry about various incidents at the site. To ensure completeness in such reporting, we believe that introduction of a formal Incident Log may help BHT to better record, track and report all such significant instances, thereby ensuring effective compliance with this section of the HSMA.

Recommendations

(5) **BHT should introduce:**

- **a structured approach to risk management that would allow for proactive identification of risks and development of appropriate mitigation strategies that would assist BHT to meet both its strategic as well as operational objectives; and**

- **an Incident Log to more effectively record, track and report on all significant accidents, incidents, disturbances, complaints or safety hazards.**

3.0 Financial and Operational Controls

Financial and operational controls consist of methods, policies and procedures designed to minimize errors, prevent fraud and promote efficiencies within operations.

Our review revealed that BHT incurred expenditures that were made solely and exclusively for fulfilling the purpose and objectives of BHT, in accordance with the terms of the management agreement and were reasonable in amount.

In the first five years of operations the focus of BHT was on its stream of revenues and increasing efficiency of operations.

While our examination concluded a general effectiveness of the existing control environment, we noted opportunities for improvement in areas such as segregation of duties, procurement practices and the funding of seconded employees.

3.1 Segregation of Duties

An effective segregation of duties is an important component of a strong control environment. It increases the likelihood of detecting errors and reducing the potential for fraud. BHT has the opportunity to strengthen its financial processes through a more effective segregation of duties.

BHT has a financial clerk position, one seasonal financial clerk and four seasonal cashiers, all working in Corporate Services. The financial clerk position processes invoices, completes the bank reconciliation and is one of the two signatories for payments.

In addition, managers who are responsible for procuring the goods and services for their departments, also approve the payments and sign as the receivers for the goods and services. Having the individual requesting the goods/services, sign for receipt and approve payment creates a control weakness.

These above noted processes do not allow for an appropriate segregation of duties between incompatible functions. We were advised at the time of our review that the organization was attempting to hire a Corporate Services Manager. Filling the vacancy in this crucial supervisory role should result in improved segregation of duties for incompatible functions.

Our review also identified six instances, totaling $17,701.42, where cheques were signed by only one financial authority, thereby violating BHT's own policy in this area. This situation was previously noted in the external auditor's audit report for 2009/10. Four of the six cheques fell within the period reviewed by the external auditor; two cheques followed that period, indicating ongoing instances of non-compliance.

Recommendations

(6) **Implementation of the following recommendations can enhance integrity of processes and significantly strengthen controls, thus reducing the financial risk:**

- **BHT should consider performing a cost-benefit analysis to evaluate the practicality of implementing a proper segregation of duties.**
- **Establish dual signatories for cheques above a certain pre-established threshold.**
- **Ensure bank reconciliations are performed by a party other than the person who processes/approves the payments.**
- **Ensure individuals receiving goods and services are different from the ones approving the payment.**

We are conscious that given BHT's size, a complete segregation of duties may not always be fully achievable. However, the recruitment for the newly created Corporate Services Manager position provides an opportunity to reassess and reorganize the current segregation of duties.

3.2 Procurement

A competitive process involving sound and consistent procurement practices creates fairness, transparency and ensures value for money for the entity and its stakeholders.

3.2.1 Business Case Development and Planning

Proper procurement planning, commencing with a business case justifying the need and financial or operational return for significant expenditures or investments, ensures that resources are appropriately allocated to areas of highest priority/return. Likewise, once the need has been demonstrated and the expenditure approved in principle (at the appropriate level), formulating an effective procurement strategy ensures good value for money.

Our review of some of the more significant procurement files, found that evidence of planning was lacking. It is unclear how much planning and analysis of options was performed. The information available in the files was insufficient to allow us to assess the effectiveness of these processes and the resultant business decisions.

In an effort to plan capital expenditures, the organization recently created the 'Summary of 10 year Capital Requirements' plan. This plan indicates that BHT has taken steps to prioritize upcoming work based on risk and urgency. However, we noted that capital decisions were being made based on opportunities provided through outside funding sources, and not risk. An example of this would be the recently constructed sawmill; BHT was able to leverage their current resources and apply for federal funding which allowed this project to be completed.

While the ministry has encouraged BHT to take advantage of such incremental funding opportunities available to BHT, adopting this approach effectively relegated other more high risk/urgent projects on the 10 year Capital Requirements Plan to secondary status. Consequently, more critical work as identified in the plan was deferred to a future year and is now under-resourced, and future operational costs for the sawmill were not considered in the planning/feasibility of this project.

Recommendation

(7) **BHT must ensure that decisions for all significant investments or capital expenditures are supported by a detailed documented business case. The development of the business case and the associated approvals should precede any related procurement commitments.**

3.2.2 Procurement Policies

Policies provide direction to staff and ensure the organization is consistent in its practices. One procurement policy requiring clear guidance is direct award practices. This is important to demonstrate fairness to the vendors and value for money for BHT. Consequently, guidelines where direct awards are permissible (especially for significant purchases) should be clearly articulated.

Through our review, it was noted that the purchase of a new stagecoach was direct awarded without a comprehensive business case being prepared.

Although the board's role is one of governance, due to a void in the Chief Executive Officer position at the time, the decision to purchase a stagecoach was presented to the board for approval. Minutes of the board meeting confirmed the board's approval of the stagecoach purchase.

We noted that the purchase was approved without a business case or any significant deliberation or analysis of possible alternatives (i.e., purchasing a used stagecoach or discontinuing the service). The only alternative presented to the board by the Operations and Capital Manager was to procure the stagecoach from a company in South Dakota. The new stagecoach represented a significant amount of BHT's capital outlay (approximately $90,000 of the average $400,000 spent annually). Analysis of alternatives should include return on investment or cost-benefit to ensure the decisions are fiscally sound and will not leave BHT without the necessary resources to accommodate all essential work and purchases. We also saw no evidence of a formal competitive bid process for this significant purchase.

Recommendation

(8) **BHT should create clear procurement criteria for contracts to ensure fairness, transparency and value for money. In addition, BHT should provide appropriate training and education for staff whose responsibilities include arranging or administering contracts.**

3.2.3 Potential Conflict of Interest

Our review identified one company that was awarded over $600,000 in construction and restoration contracts in the five years of BHT's operations. We understand that the owners of this contracting company are related to BHT's Operations and Capital Manager. In most cases, multiple vendors attended the site visits

that detailed the work to be done; however, the contracting company noted above was the only party whose proposal was available on file.

Potential proponents who attended the site visits but did not submit a bid were not contacted to check why a proposal was not submitted. While recognizing that Barkerville is in an isolated region with very few options for contractors, fostering a competitive environment is important to ensure that BHT receives good value for its contracting dollars.

It is worth stating that this contracting company had been doing work at BHT prior to the Operations and Capital Manager commencing his employment at the site.

In all but one case, the contracts with the construction company were signed by individuals other than the Operations and Capital Manager. However, responsibility for ongoing management of the contracts with this contractor and ensuring the work is completed to the satisfaction of BHT remains the responsibility of the Operations and Capital Manager. A potential COI exists between the Operations and Capital Manager and the construction company.

In reviewing this contractor file, we noted a lack of documentation to demonstrate ongoing routine contract monitoring. Regular monitoring of contractor performance and associated deliverables, helps ensure the efficient use and management of BHT's limited resources. Monitoring activities, supported by documentation in the contract files, evidences a diligence process that ensures the contractor delivers a quality product/service that meets BHT's expectations. Such documentation evidencing appropriate oversight of contract performance/deliverables is even more vital where there could be any perception of a potential COI.

Recommendation

(9) **BHT should continuously monitor the compliance with its COI policy and implement additional safeguards/controls in situations of any real or perceived COI.**

3.3 Funding of the Seconded Employees

As noted earlier, the province has assumed responsibility for absorbing the costs of the seconded employees. The costs of these employees are included in the funding provided by the province to BHT. As the seconded employees remain on the province's payroll, salaries for these employees are paid directly by the province.

As the province reimburses BHT for the costs of these seconded employees upfront, BHT is ultimately responsible for repaying the province for the salaries paid by the province to the seconded employees.

We were advised that the Board of Directors of BHT unanimously passed a motion on September 21, 2010 to defer the reimbursements to the province for the seconded employees' salary costs for 2009/10 and 2010/11.

Salaries for 2009/10 were $735,339.40, and for 2010/11, the budgeted salary recovery for the first six months is $348,637.64. The trust stated that without deferring these reimbursements it would be impossible for BHT to operate until March 31, 2012. We were informed that the trust's ability to reimburse the province for the salaries of seconded employees will be reviewed at the January 2011 board meeting. It was made clear that it is the trust's intention to reimburse the province for the overdue amounts. Moreover, ministry staff confirmed to us their intention of fully recovering these overdue amounts from BHT.

Recommendations

(10) **The province and BHT should develop a firm plan with timelines for repayment of the salaries for the seconded employees ($1,083,977 as of September 30, 2010).**

(11) **To avoid a recurrence of this situation, the province should consider making any potential future payments to BHT to be transferred net of the anticipated costs for the seconded employees.**

3.4 Disbursement without Documents

As a matter of course, at BHT, all the managers have been delegated financial authority for their area. Department managers, who are in charge of the procurement of the goods and services for their departments, often use the corporate Visa card for procuring goods or incurring expenditures.

Our review of Visa transactions revealed 11 instances (of 476 tested), where we were unable to sight supporting documents. However, a review of the monthly Visa statements indicated that in all instances the expenditures were incurred with vendors supplying goods and services that were required by BHT for its day to day operations.

Recommendation

(12) We recommend that BHT's staff ensure the retention of supporting documents for all disbursements (including those charged using the corporate Visa card).

4.0 Compliance with Requirements of the Site Management Agreement

4.1 Reporting

The HSMA requires BHT to provide annually to the ministry the following documents/reports:

- Trust Annual Report;
- Annual Rental Properties Report; and
- New Artifacts Records Report.

Although, we saw evidence of ongoing communication between BHT and the ministry, the above monitoring documents are not consistently provided by BHT. We noted that BHT has yet to formally provide the ministry with its annual reports for fiscal years ended March 31, 2008, 2009 and 2010. However, we noted that the 2009 annual report is posted on BHT's website. In addition, in BHT's five years of operations the Annual Rental Properties Report has never been provided to the ministry and the Annual Artifacts Report has only been provided once. We also saw no evidence of the ministry following up with BHT on these reports.

As these reports are important in the ministry's ongoing monitoring of their interests in BHT, the absence of this information prevents the ministry from effectively monitoring BHT's financial and operational performance. BHT must submit all the agreed upon reports specified in the HSMA in a timely fashion to ensure the ministry is able to effectively perform its oversight role.

Recommendations

(13) BHT should submit all its reports as required by the HSMA in a timely manner.

(14) The ministry must follow up with BHT in a timely manner for reports that are past due.

4.2 Performance Management

When the trust was created in 2005 there was an expectation that it would become self-sufficient within five years. To ensure the province's interests in Barkerville historic town are met, a performance management framework must be developed to assess progress against the trust's goals.

In order to perform an effective monitoring activity, we anticipated processes to be in place for a systematic way to quantify the progress towards achieving the self-sufficiency mandate. We noted that BHT has not yet developed and implemented a framework (including a set of performance measures) that would allow it to monitor its progress or performance. Proper performance measures would have allowed management to critically review the results and take the necessary corrective actions, strategic adjustments and continuous improvement.

The "A Framework for Sustaining Barkerville Report" (June 2006) proposed four performance outcomes in the following areas: governance and management; physical assets management; visitors and visitors' experience; and financial viability. It also included two performance measures (visitors and visitors' experience, and financial viability) to assist BHT in measuring results. These outcomes or performance measures have not been adopted by BHT.

Recommendation

(15) **BHT in consultation with the ministry, should develop and implement an appropriate set of performance measures to quantify and assess the progress towards fulfilling its mandate and objectives. Monitoring actual results provides the opportunity for course corrections where necessary, further facilitating achievement of the desired objectives.**

Rec. #	Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
1.0	**Barkerville Heritage Trust Control Environment**			
1.1	**Integrity, Ethical Values and Standards of Conduct**			
1.	Barkerville Heritage Trust (BHT) should design a more inclusive Conflict of Interest (COI) policy and make it available to BHT's Board of Directors, staff, and various stakeholders, as appropriate. The policy should be reviewed regularly to ensure relevance. Furthermore, BHT management should ensure mechanisms are in place for monitoring ongoing compliance with the policy.	The BHT already has a COI policy for the Board of Directors and has had since 2007. These agreements are renewed annually at the AGM (see Attachment A). This policy was reviewed at the June 2011 Directors' Meeting and found to adequately meet the needs of the Board, but is not appropriate for staff as the issues are completely different. The Management Team is in the process of developing a Standards of Conduct document, similar to that used by the Province, for use by BHT staff. Seconded employees at Barkerville are already covered by the agreement signed with the Province.		Complete In progress; needs to be approved by Union
1.2	**Compliance with Bylaws**			
2.	BHT should ensure that every appointed director submits to the secretary in writing, his/her acceptance of the position, as per BHT's bylaws.	Completed.		Complete
1.3	**Board Committees**			
3.	BHT's board should review and assess the effectiveness of its current committee structures, and make any necessary restructuring as appropriate. Clearly stated terms of reference for each of the restructured committees would help focus on the development and delivery of the committees' objectives.	From the June 19, 2011 BHT Directors' Meeting Minutes: *Moved Walt Cobb/John Massier that it will be the policy of the Board that the Barkerville Heritage Trust to replace the committee structure with Task Forces that will be established by motion specifying the purpose, the time frame and composition of the Task Force. Carried.*		Complete

Rec. #	Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
1.4	**Governance**			
4.	The Board of Directors in consultation with management should develop an action plan outlining timelines for implementation of key aspects of the June 2006 report. In addition to enhancing the board's governance and oversight role, this would also allow BHT to further its objectives for longer term financial sustainability.	From the June 19, 2011 BHT Directors' Meeting Minutes: *Moved John Massier/Eileen Lao that the 2006 plan be declared complete and a new strategic plan will be undertaken, dependent upon the availability of funding. Carried.*		Complete
2.0	**Risk Assessment and Management**			
5.	BHT should introduce: • a structured approach to risk management that would allow for proactive identification of risks and development of appropriate mitigation strategies that would assist BHT to meet both its strategic as well as operational objectives; and • an Incident Log to more effectively record, track, and report on all significant accidents, incidents, disturbances, complaints or safety hazards.	Communicate with BHT and establish a review plan and schedule Many risk management structures are in place, BHT to compile into management document (on going over time) first summary. Review with BHT and establish implementation target All incident logs are in place and updated as necessary.	MB/BHT JC/MK MB/BHT MK/JC	May 31, 2011 December 2011 Board Meeting April 15, 2011 Completed

Rec. #	Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
3.0	**Financial and Operational Controls**			
3.1	**Segregation of Duties**			
6.	Implementation of the following recommendations can enhance integrity of processes and significantly strengthen controls, thus reducing the financial risk: • BHT should consider performing a cost-benefit analysis to evaluate the practicality of implementing a proper segregation of duties. • Establish dual signatories for cheques above a certain pre-established threshold. • Ensure bank reconciliations are performed by a party other than the person who processes/approves the payments. • Ensure individuals receiving goods and services are different from the ones approving the payment.	Complete. All cheques must have dual signatures. Bank reconciliations are performed by the Corporate Services Clerk, while Clerk/Receptionist handles Accounts Payable. A process is in place in which 3 approvals are needed: • Confirmation that the invoice detail is correct and that the expenditure is within an approved budget • Confirmation that the goods/services were received as invoiced • Approval of the appropriate signing authority		All items Completed
3.2	**Procurement**			
3.2.1	**Business Case Development and Planning**			
7.	BHT must ensure that decisions for all significant investments or capital expenditures are supported by a detailed documented business case. The development of the business case and the associated approvals should precede any related procurement commitments.	Communicate with BHT and establish review plan and schedule BHT has processes in place which are documented in the Procurement and Purchase Procedures policy.		Complete

Rec. #	Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
3.2.2	**Procurement Policies**			
8.	BHT should create clear procurement criteria for contracts to ensure fairness, transparency, and value for money. In addition, BHT should provide appropriate training and education for staff whose responsibilities include arranging or administering contracts.	Complete.		Complete
3.2.3	**Potential Conflict of Interest**			
9.	BHT should continuously monitor the compliance with its COI policy and implement additional safeguards/controls in situations of any real or perceived conflict of interest.	Will monitor annually at AGM		Complete
3.3	**Funding of the Seconded Employees**			
10.	The province and BHT should develop a firm plan with timelines for repayment of the salaries for the seconded employees ($1,083,977 as of September 30, 2010).	Review with BHT	MB/BHT	April 31, 2011
11.	To avoid a recurrence of this situation, the province should consider making any potential future payments to BHT to be transferred net of the anticipated costs for the seconded employees.	Hold action pending results of 3.3.10 above	MB	N/A
3.4	**Disbursement without Documents**			
12.	We recommend that BHT's staff ensure the retention of supporting documents for all disbursements (including those charged using the corporate Visa card).	Review with BHT and develop implementation plan and targets Policy and procedures have been revised regarding this issue	MB/BHT MK/JC	April 15, 2011 Completed April, 2011

Rec. #	Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
4.0	**Compliance with Requirements of the Site Management Agreement**			
4.1	**Reporting**			
13.	BHT should submit all its reports as required by the Heritage Site Management Agreement in a timely manner.	Heritage Branch to confirm with BHT when BHT will submit report	MB	March 30, 2011
14.	The ministry must follow up with BHT in a timely manner for reports that are past due.	Heritage Branch to itemize reporting requirements and submission cycles and deadlines	MB/KP	April 31, 2011
4.2	**Performance Management**			
15.	BHT should develop and implement an appropriate set of performance measures to quantify and assess the progress towards fulfilling its mandate and objectives. Monitoring actual results provides the opportunity for course corrections where necessary, further facilitating achievement of the desired objectives.	Communicate with BHT and establish a review plan and schedule BHT will undertake a new strategic plan only if funding becomes available	MB/BHT	Complete

MEMORANDUM

To: Keith Miller
Assistant Deputy Minister
Ministry of Education

Claire Avison
Executive Director
Ministry of Education

December 14, 2011
File No.: 062028

From: Chris Brown
A/Executive Director
Internal Audit & Advisory Services

Subject: Independent Schools Review of Ministry Selected Internal Controls

Introduction

The purpose of this engagement was to assess the effectiveness of internal controls and supporting processes within the Independent Schools (IS) group, as selected by the ministry, as well as to assess key system used, identifying and recommending opportunities for improvement where appropriate.

Scope and Objectives

The scope of this review included the internal controls as selected by the ministry for grants paid to IS and reciprocal tuition paid to independent band schools providing education to off-reserve students. The following controls were reviewed for the 2010/11 school year:

- Operating and Distributed Learning (DL) Grants:
  - Eligible Student (ES) Audit and Statement of per Student Operating Cost (SOPSOC) forms were completed and signed off;
  - Manual reconciliations (to mitigate manual data entry process); and
  - External evaluations and monitoring inspections of IS.
- Special Education Grants application process to ensure that each application for funding is reviewed by a funding committee; and
- Reciprocal Tuition grants to ensure grant payments made to Independent Band Schools are accurate.

The Independent schools two key systems (ISIS and IS-Cert) were reviewed to determine if the systems are currently meeting the IS groups needs.

Excluded from the review were the validity of the grant payments, home school registration grants, the teacher certification revenue and all other systems, including the student level database (SLD).

Overall Conclusion

Overall, the IS group's controls and processes reviewed were adequate to ensure payment accuracy. However, we have identified areas for improvement to increase efficiencies and mitigate risks.

Findings and Recommendations

The following are findings and recommendations as a result of our review. For further detailed information please refer to the attached eight appendices.

Operating Grants

We reviewed the following IS controls/processes and have determined the process/controls are adequate; however, we have identified recommendations to further enhance the following controls and processes that are currently in place:

- ES Audit and SOPSOC forms;
- manual reconciliations (to mitigate manual data entry process); and
- external evaluations and monitoring inspections.

ES Audit and SOPSOC Forms

ES Audit forms are used to verify the Full Time Equivalent (FTE) of students enrolled in a school, while the SOPSOC forms are used to determine the IS group classification and must be signed off by a designated accountant.

Sampled forms were found to be complete and signed off by a designated accountant.

s.17

s.17 We have been advised by the IS group that funding statements will now reflect the required FTE numbers to resolve this issue. Also, there were no formal administration check list/procedures on forms which limits ministry responsibility in the manual process.

Recommendation

(1) **The IS group consider modifying forms to include "Office Use" to clearly show the administration process completed on each form – changes could include district costs, date, signature, group classification, and reasons for group.**

Manual Reconciliations

We have confirmed that adequate reconciliations are in place to ensure consistency and accuracy of school data to mitigate inherent risks with the manual data entry process. The IS group uses management reports and funding statements to reconcile ES Audit and SOPSOC forms to ensure consistency and accuracy of school data in the Independent Schools Information System (ISIS). s.17

s.17

Recommendation

(2) **The IS group develop a formal process to document reconciliations.**

External Evaluations and Monitoring Inspections

IS files sampled received recent and consistent reviews that were conducted as scheduled within the timelines stated in policy and statutory legislation. Inspectors followed template audit programs to ensure consistency and that IS's were following appropriate eligibility criteria, policy and statutory requirements.

Sampled IS's that had not met statutory requirements were monitored on a more frequent basis to ensure that program requirements and school safety issues were actioned and maintained. s.17

s.17 and lack of written policies in place.

Findings identified from external evaluations and monitoring inspections are required by the schools to be actioned and remedied by a certain deadline, or the school would not receive further funding. In the sample that was reviewed, findings from reviews were remedied within set deadlines.

However, while reviews are conducted on a regular basis, s.17

s.17

Recommendation

(3) **The IS group implement a policy of retaining review working papers to support inspections and evaluations.**

Distributed Learning

All applicable SOPSOC forms were submitted and contained in the file; all 14 DL schools had met the eligibility criteria and reconciled to 1701 data.

However, the following issues were identified:

- s.17

s.17 The IS group has requested to have the ISIS system amended.

- s.17

Recommendation

(4) **The SOPSOC form should include the school authority name and number to** s.17

Special Education

We reviewed the Special Education grants funding application process and have determined that each sampled funding application had been reviewed by the funding committee.

All sampled student client applications contained the appropriate support documentation and there was evidence to support that the funding committee had reviewed the funding application. s.17

s.17

We noted that every year each application has to be filed and reviewed by the funding committee. To enhance efficiency in the funding process the ministry could consider setting multi-year approval for certain categories, rather than annual applications to increase efficiencies and reduce costs for all stakeholders.

In addition, the Inspector of IS has the authority to override committee decisions. In such situations, the Inspector may want to consider referring his decision back to the committee for their review and approval to ensure consistency with the funding process.

Recommendations

(5) **The IS group should consider setting multi-year approval for certain categories to increase efficiencies and reduce costs for all stakeholders; and**

(6) **The Inspector of IS should consider referring all overridden committee decisions back to the funding committee to ensure consistency with the funding process.**

Reciprocal Tuition

The IS control/processes that ensure payments made to independent band schools are reasonable and are based on data received by the ministry. However, to further ensure payment accuracy, the ministry should obtain access to Indian and Northern Affairs Canada (INAC) data as discussed below.

Other than the 1701 data verification, monitoring and evaluation inspections, the IS group does not have another control to independently verify FTE numbers at the independent band schools.

The independent band schools have regular audits performed by INAC, but the audit data (or nominal roll) is not currently shared with the IS group. However, we understand the IS group is working with the ministry and INAC to allow the nominal roll data to be shared between INAC and the IS group. s.17

s.17

Recommendation

(7) **The IS group and the ministry obtain access to INAC data to support payment accuracy.**

Key IS Systems

The IS group uses two key systems to deliver independent schools grants: ISIS and Independent Schools Teacher Certification system (IS-Cert).

Both systems are providing reasonable support in delivering IS grant function as well as the teacher certification process. However, each system needs further enhancements and system development to transition towards a more automated process.

ISIS

ISIS is a tool used by the Independent Schools group to administer and calculate the various grants issued to Independent Schools. ISIS is a legacy program, built in 1982, and requires client school information data received from the ministry student database (SLD system). The exception is special education data which is entered into ISIS manually.

ISIS, with manual interventions, adequately meets the needs of the IS group in administrating the four payment grants. The system is able to accurately calculate grant payment amounts and produce funding statements to advise school authorities on the applicable grant amounts that they will be receiving.

Despite the need for manual processes to supplement ISIS, the system is meeting the needs of the IS group. We explored alternatives to the IS system, however we did not find any reasonable cost-effective alternatives, such as using excel spreadsheets as they use in the public school program. We were advised that it would be costly and difficult to implement an excel solution due to development costs and the inability for excel to produce management reports and correspondence.

IS-Cert

In response to 2006 legislation IS-Cert database was developed to contain independent schools teacher certification, disciplinary registry and teacher employer work history. IS-Cert is an on-line database accessible by the public, school authorities and teachers.

The system was planned to be developed and implemented in three phases. To date only two of the three phases have been developed and implemented. As a result, the IS group have manual processes in place to supplement the system

Recommendation

(8) **The IS group work with the ministry to determine acceptable system enhancements and/or continuing development and implementation to further increase efficiencies and reduce manual processes.**

We would like to thank management and ministry staff, particularly those from the IS group, for their assistance and cooperation throughout this engagement.

If you require additional information or clarification, please do not hesitate to contact myself at (250) 387-8198 or Jane Bryant at (250) 387-8177.

Chris Brown
A/Executive Director
Internal Audit & Advisory Services

APPENDIX A

Introduction

Independent schools (IS) offer parents an alternative to a public school education for their children. Parents in British Columbia can choose to send their children to IS because these schools provide a particular religious, cultural, philosophical or educational approach.

The Office of the Inspector of Independent Schools, within the Ministry of Education (the ministry), is responsible for administering the *Independent School Act*, which includes the regulation of all IS, funded and non-funded.

There are four classifications for IS in British Columbia:

- Group 1 Schools – Employ BC certified teachers, provide a program that meets the learning outcomes of the BC curriculum, and meet various administrative requirements. In addition, per student operating costs do not exceed the per student operating grant issued to the local school district.
- Group 2 Schools – As Group 1 Schools except that their per student operating costs do exceed the per student operating grant issued to the local school district.
- Group 3 Schools – Are not required to employ BC certified teachers or have education programs consistent with ministerial orders. However, facilities must meet all municipal and regional district codes.
- Group 4 Schools – Very similar to Group 1 Schools although primarily cater to non-provincial students.

Table 1: Independent Schools Enrolment Summary for the 2010/11 School Year

Classification	Number of students (headcount)	Number of schools	Funded?
Group 1	56,062	249	Yes – 50% of local school district's per student operating grant
Group 2	14,352	67	Yes – 35% of local school district's per student operating grant
Group 3	539	20	No
Group 4	1,061	11	No – though school must be bonded
Total	**72,014**	**347**	

For the 2010/11 school year there were 347 IS, with 72,014 students. The majority of the students (98%) attend Group 1 or Group 2 Schools, for which the schools received funding of $274 million for 2010/11. Funding can be for basic operating grants, additional operating grants for distributed learning schools (DL), special education grants, and home schooling registration grants. In addition, reciprocal tuition grants are made to Independent Band schools that provide education to students who are the responsibility of the province.

APPENDIX B

Independent Schools Operating Grants

Operating Grant is given to Group 1 and 2 IS. The grant is determined by the number of Full Time Equivalent (FTE) and partially eligible students enrolled in the school.

Operating grant is paid to IS in four payments throughout the school year (October, January, March and June). IS group has a number of controls and process in place to ensure grant payments are accurate.

The following are IS key controls/processes selected by the ministry for our review:

- Eligible Student (ES) Audit and Statement of per Student Operating Cost (SOPSOC) forms;
- manual reconciliations (to mitigate manual data entry process); and
- external evaluations and monitoring inspections.

ES Audit and SOPSOC Forms

ES Audit forms are used to verify the FTE of students enrolled in a school. Schools have the ES Audit form completed by an independent third party who is either a Chartered Accountant (CA) or Certified General Accountant (CGA). The ES Audit forms are used by IS to verify or adjust the final operating grant payment made (June 2011).

We randomly selected 25 schools from 2010/11 school year who had received June 30, 2011 operating grants payment for the test sample.

Reviewed ES Audit forms (May 2011) relating to June 30, 2011 operating grant payment sample to confirm that ES audit forms were signed off by a designated person with a CA or CGA who are in good standing with their accounting body and that FTE numbers were reconciled to ES funding reports and statements sent to school authorities.

ES audit forms sampled are complete, have been completed by a designated person with a CA or CGA and have been reconciled to funding statements sent to school authorities. In addition, we confirmed the CA/CGA sampled were in good standing with their accounting body's by accessing their respective membership databases.

SOPSOC forms are used to determine the IS group classification; Group 1 classification (50% grant level) if the per-student FTE operating cost for the IS during the 2010/11 school year is equal to or less than the per student FTE operating grant issued to the local school district in the same school year or Group 2 (35% grant level) if per-student FTE operating cost is higher than the local school district in the same school year. SOPSOC forms are only required if the school is requesting Group 1 classification.

Reviewed SOPSOC (June 30, 2010) forms relating to June 30, 2011 operating grant sample. Reviewed SOPSOC for evidence of signatory by a designated person with a CA or CGA and confirmed whether FTE student cost per section G of the SOPSOC is greater or lesser than the district rates (Dec 2010).

SOPSOC forms sampled are complete and support appropriate group level funding. However, we identified an opportunity to enhance the SOPSOC form, as the forms do not always have the correct FTE numbers recorded, leaving the IS group to manually correct and notify accountants who submitted the form. s.17 s.17 We have been advised by the IS group that the funding statements will now include the required FTE numbers.

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Recommendation

(1) **The IS group consider modifying forms to include "Office Use" to clearly show the administration process completed on each form – changes could include district costs, date, signature, group classification, and reasons for group.**

Manual Reconciliations

ES Audit and SOPSOC forms are received, reviewed for completeness (i.e., forms signed off by the appropriate CA or CGA) and manually entered into the ISIS database by the IS group. The ISIS system produces funding statements that are sent to school authorities reporting the applicable funding data for the grant payment.

To mitigate manual data entry process the IS group uses management reports and funding statements to reconcile ES Audit and SOPSOC forms to ensure consistency and accuracy of school data in the ISIS system.

We selected a sample of June 30, 2011 operating grant payments to review/test the reconciliation controls in place:

- payment authorization support documentation (memorandum) was traced to selected sample funding statements that are sent to school authorities;
- for reconciliation to final June 30, 2011 payment we reviewed ES funding report for Groups 1 and 2 (report 4583B);
- funding statements were reconciled to ES Audit forms for the FTE counts; and
- reviewed system reports used to manually track forms submission (SOPSOC and ES Audit).

We were able to reconcile Funding Statements from selected sample back to ES Audit and SOPSOC forms, payment authorization totals and to ISIS eligible student funding report.

Adequate reconciliations are in place to ensure consistency and accuracy of school data to mitigate inherent risks with the manual data entry proces s.17 s.17 s.17 A formal reconciliation would note sources of information used to reconcile data and the names of the persons who prepared and reviewed the reconciliation.

Recommendation

(2) **The IS group develop a formal process to document reconciliations.**

External Evaluations and Monitoring Inspections

The Inspector of IS is responsible for the external evaluations and monitoring inspections of IS. External evaluations assure the Inspector of IS, the Minister of Education and the public that IS satisfy the requirements of the *Independent School Act*, ministry policies and standards.

Monitoring inspections are conducted between external evaluations, for the purpose of ensuring ongoing compliance with the *Independent School Act* and the Regulations and Orders made under the *Independent School Act*, and for noting new developments and changes in the IS schools.

Groups 1 and 2 IS are evaluated by an External Evaluation Committee at least once every six years for IS schools that deliver a non-DL program and at least once every two years for schools that deliver the DL program.

Under the monitoring inspection program, Group 1 and 2 schools delivering a non-DL program are monitored in the second and fourth year following an external evaluation. Group 1 and 2 schools offering a DL program are monitored in the alternate years following an external evaluation.

A sample of 10 school files out of the 70 IS that had an external evaluation or monitoring inspection in the 2010/11 school year were reviewed. This sample included all grant payment streams; operating, DL, Special Education and reciprocal tuition grants.

We found that all schools files reviewed had recent and consistent reviews. Inspectors followed template audit programs to ensure consistency and that schools were following appropriate eligibility criteria, policy and statutory requirements. Any issues found in the reviews were followed up with additional reviews as required.

In addition, reviews were being conducted as scheduled within the timelines dictated in policy and statutory legislation. Schools that had issues were monitored on a more frequent basis to ensure that program requirements and school safety issues were actioned and maintained.

In interviews with staff and supported by the file reviews we found that s.17

s.17

All issues found are required by the schools to be actioned and remedied by a certain deadline or the school will not receive further funding. In the sample reviewed, findings from reviews were remedied within set deadlines. We did not find any situations where the schools that were evaluated or monitored had denied or disagreed with the findings.

Recommendation

(3) **The IS group implement a policy of retaining review working papers to support the inspections and evaluations.**

Page 103 redacted for the following reason:
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APPENDIX C

Distributed Learning Grant

DL is a method of instruction that relies primarily on indirect communication between students and teachers, including internet or other electronic-based delivery, teleconferencing or correspondence.

Students may enrol at any time during the school year, subject to school policy. Funding for eligible students enrolled in Group 1 or 2 IS offering instruction by means of DL is 50% or 35% of the per student operating grant of the school district in which the school/program is located.

In total the province provides grants to 14 DL schools. Only two of the 14 schools were classified as Group 2 (35% funded), the rest were Group 1.

The following are IS key controls/processes selected by the ministry for our review of DL grant process:

- Statement of per Student Operating Cost (SOPSOC) forms; and
- External Evaluations and Monitoring Inspections.

We performed the following work:

- reviewed DL grant payment file and compared amounts paid to ISIS funding statements;
- reviewed SOPSOC forms to determine if they were complete, signed off by CA/CGA and group eligibility was correct based on SOPSOC data; and
- reviewed 2010/11 inspection and monitoring reports.

We found all applicable SOPSOC forms were submitted and contained in the file; all 14 DL schools have met the eligibility criteria and reconciled to 1701 data. However the following issues were identified:

- Funding statements issued to authorities do not include actual student FTEs as reported on SOPSOC which makes it difficult for school authorities and the IS group to ensure accuracy of FTEs funded: IS group are aware of this issue and have requested to have ISIS system amended s.17 As a consequence the IS group completes a manual calculation to reconcile funding statements to 1701 data.
- SOPSOC forms contain the name of the school, however funding statements and vendor accounts are in the name of the school authority. As some schools and authorities have similar names this has the potential to increase the risk of payments being issued to the wrong school authority.

Findings and recommendations for DL external evaluations and monitoring inspections have been included in Appendix B.

Recommendation

(4) s.17

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APPENDIX D

Special Education Grant

Special Education grants are a specific type of special purpose grant. Students claiming for special education funding must be receiving an additional service which is over and above the regular program, is clearly identifiable as a Special Education Program or service and requires additional expenditures on the part of the school.

Annual applications from IS and DL programs for special education grants must be supported by the submission of significant documentation of the student's disability, including specific scores verifying the student's status.

All students claimed must meet the specific criteria, be assessed by appropriately qualified professionals, and have the approval of the Special Education Provincial Review Committee appointed by the Inspector of IS.

As each application for funding must be reviewed by a funding committee, the ministry selected the review to focus on the process in place to ensure each funding application has been reviewed by the funding committee.

The following work was performed in reviewing Special Education grant:

- selected a sample of 60 out of approximately two,100 student applications from special education grant for the 2010/11 school year;
- reviewed sampled student application client files to ensure all files contained required support documentation/application, evidence committee reviewed the application and recorded the committee decision whether to fund or not and the size of the award; and
- reconciled sampled student awards payments with ISIS Funding Statements (pdf) sent to IS for the appropriate grant payment date (October 2010, December 2010 and March 2011) and the award granted by the committee.

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s.17 Further, all sampled student client applications contained the appropriate support documentation, funding application and evidence to support committee reviewed the funding application.

We noted that every year each application has to be filed and reviewed by the funding committee. To enhance efficiency in the funding process, the ministry may want to consider setting multi-year approval for certain categories rather than annual applications to increase efficiencies and reduce costs for all stakeholders.

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Recommendations

(5) **The IS group should consider setting multi-year approval for certain categories to increase efficiencies and reduce costs for all stakeholders; and**

(6) s.17

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APPENDIX E

Reciprocal Tuition

Reciprocal Tuition grant provides 100% per-pupil funding for eligible students living off-reserve who are enrolled in band schools, and for eligible non-status students living on reserve lands.

In total the province provided reciprocal tuition grants to 23 independent band schools for the 2010/11 school year. A one-time grant payment is made to independent band schools in January of the school year.

Reciprocal tuition grants are based on 1701 data from schools and by the IS group verifying s.17 s.17 applicable FTE numbers with each of the 23 independent band schools. Independent band schools also have the two and six years monitoring and evaluation inspections.

The ministry requested the review to determine whether controls are in place to ensure reciprocal tuition grant payments made to Independent Band School are accurate.

The following work was performed in reviewing Reciprocal Tuition grant payment for 2010/11 school year:

- interviewed the Administrative Officer to determine process for issuing/paying reciprocal grants to band schools;
- reviewed reciprocal grant files which contains email correspondence, INAC funding rates, 1701 data, ISIS funding statements;
- reviewed all reciprocal tuition school payments made in 2010/11 school year (Jan 15/11 payment) from CAS;
- reconciled payments with Funding Statements sent to Authority by ISIS and established INAC funding/billing rates 1701 data; and
- reviewed monitoring and evaluation inspection file.

We noted that other than the 1701 data verification and the two and six years monitoring and evaluation inspections s.17 s.17

The independent band schools have regular audits performed by INAC but the audit data (or nominal roll) is not currently shared with the IS group. However, we understand the IS group is working with the ministry and INAC to allow the nominal roll data to be shared between INAC and the IS group. s.17

Recommendation

(7) **The IS group and the ministry should obtain access to INAC data to support payment accuracy.**

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APPENDIX F

Independent Schools Information System (ISIS)

ISIS a tool used by the Independent Schools Group to administer and calculate the various grants issued to Independent Schools. ISIS is a legacy program, built in 1982, and requires client school information data received from the ministry student database (SLD system). The exception is the special education data which is entered into ISIS manually.

ISIS uses certain types of data such as FTE numbers, school data and personal data to generate independent school grant payments for the following programs:

- Independent School Operating Grants;
- Special Education Grants;
- Distributed Learning; and
- Reciprocal Tuition.

The ministry requested that IAAS assess the effectiveness of ISIS and selected supporting processes and to make recommendations for improvement (where appropriate).

ISIS, with manual interventions, adequately meets the needs of the IS group in administrating the four payment grants. The system is able to accurately calculate grant payment amounts and produce funding statements to advise school authorities on their applicable grant amounts that they will be receiving.

The following ISIS issues have been identified by IS staff:

- System reports do not allow for custom data sorting.
- Special Education grant payments s.17 s.17 The system is unable to reverse or credit schools when a student changes schools during the school year. Currently the IS group has a manual process in place to contact schools for a refund then pay the new school in the next payment cycle. The student history is then completely dropped from the former school's records in ISIS.
- FTE reports for Reciprocal Tuition funding cannot be printed from ISIS due to timing issues of receiving INAC data. The current solution is to print reports from SLD which forces all work to be on paper.

Despite the need for manual processes to supplement ISIS, the system is meeting the needs of the IS group. We explored alternatives to the IS system however we did not find any reasonable cost effective alternatives, such as using excel spreadsheets as they use in the public school program. We were advised that it would be costly and difficult to implement an excel solution due to development costs and the inability for excel to produce management reports and correspondence.

APPENDIX G

Independent Schools Certification Program (IS-Cert)

In response to 2006 legislation IS-Cert database was developed to contain independent schools teacher certification, disciplinary registry and teacher employer work history. The Independent School Teacher Registry provides information about the certificate status of a person who has been certified by the Inspector of Independent Schools to teach in an independent school or on whose behalf the Inspector has issued a Letter of Permission to an independent school authority. IS-Cert is an on-line database accessible by the public, school authorities and teachers. School authorities and teachers require a BCeID to access administration/registration. The system shows certificate status as well as any disciplinary data.

The system was planned to be developed and implemented in three phases. To date only two of the three phases have been developed and implemented. Due to funding constraints the remaining phase has not been completed. The IS group have manual processes in place to supplement the system.

The following issues have been identified by IS staff:

- The development and implementation of the work history function has not yet been developed and the system only holds current status; for example, disciplinary records only show current information.
- s.15
- There are no correspondence capabilities in IS-Cert to send out reminder notices to teachers as their various certificates come up for renewal. There are template letters in IS-Cert but the contact data is outdated so they don't use this capability. Further, the templates in the system are not editable.
- s.15
- School authorities and teachers need a BCeID to access IS-Cert. However, at the time that IS-Cert was developed BCeID s.15

s.15

IS-Cert was originally populated with data from a legacy database. Due to time and budget constraints the legacy data has not been completely verified to ensure the database does not contain duplicate or inaccurate records.

APPENDIX H

Filemaker

The independent schools audit function uses the Filemaker software to track and plan evaluation and inspections of independent schools. The software is used to coordinate and monitor contracted school auditors who perform independent school evaluation and inspections provincially.

While the system is effective for tracking and scheduling it lacks the ability to integrate a correspondence function such as the ability to printout and track contracts for the auditors.

The IS group have started a pilot SharePoint project to supplement the Filemaker function of communicating with the contracted audit teams. The IS group upload audit programs or catalogues through the use of SharePoint. SharePoint allows for greater ease of communicating information between contracted auditors and the IS group.

Project No.: 031218

Report on Employment and Labour Market Services Division's Contract and Financial Management System Risk and Controls Review

Ministry of Social Development

Distribution

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Internal Audit & Advisory Services
Ministry of Finance
Date of fieldwork completion: June 2011

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Abbreviations

BCeID	British Columbia Online Service Authentication System
BCP	Business Continuity Plan
CAS	Corporate Accounting System
CFMS	Contract and Financial Management System
EA	Expense Authority
ELMSD	Employment and Labour Market Services Division
FASB	Financial and Administrative Services Division
IAAS	Internal Audit & Advisory Services
ICM	Integrated Case Management System
ICMA	Interim Corporate Management Agreement
IDIR	Corporate Employee Authentication System
IMB	Information Management Branch
LMDA	Labour Market Development Agreement
MSD or the ministry	Ministry of Social Development
PIA	Privacy Impact Assessment
QA	Quality Assurance
QR	Qualified Receiver
SSBC	Shared Services BC
STRA	Security Threat and Risk Assessment
UAT	User Acceptance Testing

Report Summary

Background

The Ministry of Social Development (MSD or the ministry) provides services to the citizens' seeking assistance to achieve their social and economic potential. The ministry has invested in a full range of employment programs to help citizens' achieve greater self-reliance, build a better life for their families, break the cycle of welfare dependency and meet the needs of the labour market.

The Employment and Labour Market Services Division (ELMSD or the division) of the ministry completed the transfer of federal programs and staff under the Canada-British Columbia Labour Market Development Agreement (LMDA) on February 2, 2009. The transfer included the use of the federal Common System for Grants and Contributions (CSGC) which provides the functionality required for supporting the transferred programs. The ability to use this system ends on January 31, 2012, as agreed to by the province and Service Canada in the Interim Corporate Management Agreement (ICMA).

ELMSD is in the process of transforming the business model and designing and implementing a new program that will integrate provincially funded programs with the federally funded LMDA programs to better meet citizens' and labour market needs. The working title for the new program is the "Employment Program of British Columbia," a new system is required to support the program which will replace CSGC and the provincial employment program applications. The program is scheduled for implementation on March 31, 2012.

The ELMSD initiated the Contract and Financial Management System (CFMS) Project to replace existing available CSGC functionality and provincial employment program applications. The project consists of the development of business requirements, design, development, system integration testing and training services to suit the evolving needs of British Columbians and realize efficiencies in delivering services.

By implementing the envisioned solution, the ministry aims to meet the following objectives:

- to develop a new contract and financial system for the Employment Program of British Columbia;
- to provide support for the program area comparable to the federal CSGC;
- to improve and expand the provision of meaningful information required for decision support; and
- to improve efficiency, data quality and access.

In accordance with the Chapter 13 of the Core Policy Manual, the ministry requested a financial risk and controls review for the CFMS.

Risk and Control Review

Purpose

The purpose of this assignment was to:

- assess the adequacy of the CFMS operating environment, processes and controls to mitigate business, privacy and security risks; and
- recommend processes and procedures to address any significant gaps identified in the control framework.

Scope

The scope of the review included an assessment of the CFMS processes, system functions, and application security to determine whether the designed controls provide reasonable assurance of the integrity and reliability of the system. (See Appendix A for the detailed review scope and objectives).

The scope did not include an assessment of (i) the data integrity of the source systems and (ii) the network infrastructure (e.g., servers and network security devices) used to support the CFMS.

Approach

Internal Audit & Advisory Services (IAAS) performed the review over the period May to July 2011.

Our approach included applying a risk assessment methodology in developing control objectives for the CFMS system, identifying risks to the achievement of those objectives, assessing the risks in the absence of controls, reviewing the planned controls to mitigate the risks, and assessing the residual risk assuming that the documented controls are operating as designed and/or will be implemented as intended. We then made some recommendations based on the residual risk assessment.

The approach was consistent with the guidance from the Canadian Institute of Chartered Accountants – Information Technology Control Guidelines, Information Systems Audit and Control Association – Control Objectives for Information and Related Technology.

During the course of the review, the ministry was provided periodic updates on progress.

Conclusions

We conclude, for the scope areas reviewed and subject to the implementation of the recommendations contained in this report along with the planned controls documented in the risk and controls matrix, that the Contract and Financial Management System processes and controls adequately mitigate the associated business risks.

In this context, we would like to reinforce the importance of implementing the suggested actions in a timely manner to address the associated gaps identified in the control framework, especially those related to access control, segregation of duties, reconciliation to Corporate Accounting System (CAS) and continuous services. The integrity and confidentiality of the information processed by the CFMS could be compromised if these recommendations are not implemented.

The recommendations resulting from the review work are as follows (see Appendix A for a summary of residual risks):

- The Information Management Branch (IMB) and ELMSD ensure that the Privacy Impact Assessment (PIA) and Security, Threat and Risk Assessment (STRA) are completed, approved and signed-off by senior management;
- The ministry ensure that restoration tests of the CFMS backups are periodically performed to verify media reliability and information integrity.
- Data retention practices and periods be developed and formally documented to avoid performance degradation and ensure that information will be available to the users when required.
- ELMSD ensure that a formal documented reconciliation process is in place.
- The reconciliation between CAS and the CFMS application be reviewed and signed off by an Expense Authority (EA) on a regular basis to verify the reconciliation's completeness and accuracy and to ensure that management is aware of any reconciliation issues.

- ELMSD develop formal procedures to ensure that all user accounts within the CFMS application are periodically reviewed (e.g., for validity and to ensure that there is a proper segregation of duties).

- ELMSD ensure that a formal and documented process is in place to substantiate contract changes and related approvals.

- ELMSD ensure that the CFMS application will enforce segregation of duties and prevent that QR (Qualified Receiver) and the EA are the same person.

- A formal management review process be developed and documented to ensure that personnel are performing duties appropriate for their job functions.

- ELMSD ensure that the job profiles within the division have been approved and are communicated to all relevant and involved areas.

- The procedures for setting up a service provider be documented in the policies and procedures manual.

- The Ministry ensure that training will be made available on an ongoing basis for new staff.

Further details on the risk assessment are included in Appendix B.

Our overall assessment assumes that the documented controls are operating as designed and/or will be implemented as intended.

We would like to thank the CFMS project team for their assistance and involvement throughout the review.

Chris Brown
A/Executive Director
Internal Audit & Advisory Services

October 4, 2011

Appendix A – Scope and Objectives & Summary of Residual Risks

The table below provides review of the scope and objectives and a summary of the residual risks for each scope component. The residual risk column is a roll-up of the detailed assessment in Appendix B. The residual risk is the resulting auditor's assessment in relation to planned or existing controls to mitigate the inherent risk.

Based on this assessment and subject to implementation of the recommendations, we conclude that the CFMS processes and controls adequately mitigate the associated business risks.

Scope Area	Objective	Residual Risk (Rollup of Appendix B)
Operating Environment - to determine whether the controls over the ELSMD Contract and Financial Management System and its related processes meet government and ministry standards.		
1. Organization	To ensure that defined functions, related resources and segregation of duties are established and communicated.	Low to Medium
2. Policies and Procedures and, Security Awareness	To ensure that senior management has established the policy framework for the CFMS and related operating processes.	Medium
3. Change Management Process	To ensure that formal change management procedures are in place to ensure application and system software installation, maintenance and changes do not jeopardize the security of the data and programs.	Low
4. Continuous Services	To ensure that backup and recovery procedures, disaster recovery procedures and a business continuity plan are in place for the CFMS and are periodically tested and updated.	Medium
5. Compliance	To ensure that the CFMS operating environment complies with government security and privacy policies.	Medium
Application Functionality Controls - to determine whether the controls within the ELSMD Contract and Financial Management System are adequate to ensure data integrity and reliability of the information.		
6. Logical Security	To ensure that logical security procedures are established that enable only authorized users and IT support can access the system functions in accordance with their roles.	Low to Medium
7. Data Integrity	To ensure the completeness, accuracy, validity and timeliness of the data, in accordance with the defined CFMS objectives and requirements.	Low
8. Design	To ensure that there is a well-defined data model, data quality metrics and meta-data (dictionary) are in place to establish and guide the content, quality, update requirements and use of the application.	Medium

Scope Area	Objective	Residual Risk (Rollup of Appendix B)
9. Data Repository	To ensure that data remains current and the required level of data quality is maintained over time for reporting data warehouse.	Low
10. Payments	To ensure that only authorized payments are accurately and completely processed in a timely manner.	Low to Medium
11. Data Conversion	To ensure that the conversion of data from existing systems to the new system (CFMS) is complete and accurate.	Low
12. Queries and Reports	To ensure that all queries and reports are complete and accurate and provide useful information.	Low
13. Interface to CAS	To ensure that the interfaces to CAS completely and accurately process valid payments.	Low
14. Reconciliation processes to CAS	To ensure that the reconciliations of CFMS payments are completely and accurately performed and exceptions cleared in a timely manner.	Low to Medium
15. Manage Service Provider/ Service Registry	To ensure that the manage service provider/registry process is complete and documented appropriately.	Low
16. Maintain Contract Template	To ensure the completeness and accuracy of the process for creating or updating contract template.	Low
17. Create and maintain contracts	To ensure the completeness and accuracy of the process for creating or updating contracts.	Low

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Appendix C – Risk Ranking Tables

LIKELIHOOD (L) = Probability of the Risk Event Actually Occurring.

Level	Descriptor	Approximate Probabilities:
5	Certain	90 – 100%
4	Likely	55 – 89%
3	Possible	25 – 54%
2	Unlikely	5 – 24%
1	Improbable; Rare	0 – 4%

CONSEQUENCE (C) = Degree of Severity of the Consequence.

Score	Descriptor	
1	Insignificant	Negligible effects.
2	Minor	Normal administrative difficulties.
3	Significant	Delay in accomplishing program or project objectives.
4	Major	Program or project re-design, re-approval and re-do required: fundamental rework before objective can be met.
5	Catastrophic	Project or program irrevocably finished; objective will not be met.

LEVEL OF RISK (L x C)

	Consequence				
Likelihood	1	2	3	4	5
5	LOW	MEDIUM	HIGH	EXTREME	EXTREME
4	LOW	MEDIUM	HIGH	HIGH	EXTREME
3	LOW	MEDIUM	MEDIUM	HIGH	HIGH
2	LOW	LOW	MEDIUM	MEDIUM	MEDIUM
1	LOW	LOW	LOW	LOW	LOW

Appendix D – Ministry Management's Detailed Action Plan

Ministry Response -Ministry Management's Detailed Action Plan CFMS System Risk & Controls Review

Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
1. ELMSD ensure that the job profiles within the division have been approved and are communicated to all relevant and involved areas.	The organizational structure is currently being developed including the completion of an approved Divisional Org chart. Positions and job profiles associated with the new structure are being developed concurrently and are available and have been communicated though the MSD website at the following link: https://theloop.gov.bc.ca/elmsd/BTP/Pages/default.aspx	Zac Kremler	April 1, 2012
2. A formal management review process be developed and documented to ensure that personnel are performing duties appropriate for their job functions.	A formal process is in place and will continue into the launch of the new program. The organization was designed so that the supervisors and managers will monitor staff and ensure their staffs are carrying out all their work functions on a daily basis. Supervisors and managers will have a formal review with their staff on quarterly basis to review; however, management may need to have additional reviews if required.	Sergei Bouslov, Exe. Dir.; Tami Currie, Exe. Dir.; and Carolyn Kamper, Exe. Dir.	Ongoing

Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
3. The IMB and ELMSD ensure that the PIA and STRA are completed, approved and signed-off by senior management.	A draft PIA has been completed. The PIA approval process is as follows: • Wendy Armstrong (OCIO) to review the draft PIA and provide feedback. • PIA is returned back to ELMSD Area Lead who will make any revisions then pass to the PMO to obtain sign off through the CLIFF process. Sign-off should include the Executive Sponsor, Diane Bessey for IMB Security and Jeff Gauthier as IMB CIO, Wendy Armstrong and Kash Basi for FOIPA Compliance. • Once the PIA is approved by executive, PMO to notify Wendy who will register the PIA in the online Personal Information Directory (PID). CFMS is targeting to have provisional approval of all by the end of the summer (August 31, 2011). All PIA's will need to be reviewed two months before implementation for any changes. A covering letter will be attached highlighting any changes and asking for final approval. The draft STRA has also been completed, and is currently being converted to use OCIO's iSmart format. The STRA will also be completed and approved prior to the implementation of CFMS.	Tiffany Ma	April 1, 2012

Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
4. The ministry ensure that restoration tests of the CFMS backups are periodically performed to verify media reliability and information integrity.	One month after the implementation of CFMS, the Project Team will request SSBC to restore production application and data backups to a test server for verification purposes. The Project Team will conduct a series of tests to verify the most crucial functions of the system are operating correctly thereby verifying media reliability and integrity of the backups. These procedures will be documented and turned over to support staff. Following this initial test, IMB Operations will be responsible for conducting similar tests on an annual basis.	Project Team Jeff Gauthier	May 1, 2012 Ongoing (Annual)
5. Data retention practices and timelines be developed and formally documented to avoid performance degradation and to ensure that information will be available to users when required.	The standard data retention timeframe for financial records is seven years. CFMS is an interim system and is expected to replaced by a new corporate contract and financial management system by 2014/15; therefore, it is expected that all CFMS data will be retained for the life of the system. The Ministry has documented records management procedures, which can be found at the link below. The Operational Records Classifications System (ORCS) is currently being revised by the Ministry Records Officer (Roxanne Weeds). https://theloop.gov.bc.ca/msd/imb/Pages/records_management.aspx No further action is required to fulfill this recommendation.	N/A	N/A

Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
6. The ELMSD develop formal procedures to ensure that all user accounts within the CFMS application are periodically reviewed (e.g., for validity and to ensure that there is a proper segregation of duties).	IMB has existing security procedures that include reviewing all user accounts and removing any access that is no longer required. Requests for changes to system access must be approved by the user's manager. Account accesses are reviewed, when a person exits, transfers, or a job position change is indicated. Segregation of duties is covered in item # 9 below and has been removed from recommendation 6. No further action is required to fulfill this recommendation.	N/A	N/A
7. The reconciliation between CAS and the CFMS application be reviewed and signed off by an EA on a regular basis to verify the reconciliation's completeness and accuracy and to ensure that management is aware of any reconciliation issues.	Monthly reconciliations are a requirement and referenced in the Policy and Procedures manual for the Employment Program of British Columbia (EPBC). HQ Finance will also be responsible for a monthly reconciliation. This will be outlined in the Finance team's Process Catalogue.	Jim Swan	April 1, 2012

Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
8. The procedures for setting up service providers be documented in the policies and procedures manual. In addition, management should review the process periodically.	On-boarding procedure for EPBC Service Providers is being developed for all required systems including CFMS. CFMS will use Business BCeIDs for authentication and all organizations will have to go through the identity-proofing process required by Shared Services BC prior to issuing Business BCeIDs. The general prerequisites for government systems access include: • Proof of contractual agreement with government; • BCeID; • Government issued ID; • Executed Security and Confidentiality Agreement; • Criminal records Check; and • Systems training. Contract and Partnership Agents will ensure systems access pre-requisites have been met before approving systems access. Contractors will also be instructed on procedures to be followed in the event of an information incident or privacy breach.	Don Hinz for Dexter Ratcliff	April 1, 2012
9. ELMSD ensure that the CFMS application will enforce segregation of duties and prevent that QR and the EA are the same person.	Government Core Policy states that the EA and QR cannot be the same person. Edits contained in CFMS will ensure that the EA and QR are different people. These edits will be verified during User Acceptance Testing.	Brent Fischbach	April 1, 2012

Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
10. The Ministry ensure that training will be made available on an ongoing basis for new staff.	A project team is currently developing training materials for the division and its stakeholders for the EPBC and supporting systems. This training material will be available for new staff. A Policy and Procedures guide is being developed as part of the EPBC and will be available to assist training on an ongoing basis for new staff. ELMSD creates a comprehensive annual training plan to assess Divisional training needs and ensure that on-going training is available to staff.	Zac Kremler Laurel Gordon Tiffany Ma Jennifer Anholt	April 1, 2012 and Ongoing
11. ELMSD ensure that a formal documented reconciliation process is in place.	To clarify the scope of this recommendation, we assume that this refers to the reconciliation between CFMS and ICM as recommendation seven addresses the reconciliation between CFMS and CAS. A formal reconciliation process between CFMS and ICM will be documented in the Policy and Procedures guide for the EPBC.	Tiffany Ma Jim Swan	April 1, 2012

Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
12. ELMSD ensure that a formal and documented process is in place to substantiate contract changes and related approvals.	Contract change and approval processes are described in the Management Framework Model document prepared by ELMSD Finance. The contract change/amendment process is supported by the following business rules implemented in CFMS: • Contract Manager creates a Modification Agreement documenting changes to the Contract. • Contract Manager requests a legal review, if required, and records the details. • If the amendment includes changes to the contract value or allocation, the Contract Manager must re-allocate the total Contract amount. • Modification Agreement is "locked" so no further changes can be made to this version once it has been printed and signed, other than Notes and Approval Details. • Expense Authority reviews the Modification Agreement to confirm it meets all applicable Ministry and Government policies, checks that the required funding is available and approves the Modification Agreement. • Contract Manager sends the final version of the Modification Agreement to the Service Provider for signature. The Service Provider reviews and signs the Modification Agreement and returns it to the Contract Manager. • The Modification Agreement is physically signed by the appropriate Ministry Approver.	Tiffany Ma	April 1, 2012

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Ministry of Finance Internal Audit & Advisory Services

MEMORANDUM

To: Stuart Newton
Comptroller General
Ministry of Finance

October 13, 2011
File No.: 019051
Ref. No.: 251181

From: Dan Peck
Director, Professional Practice
Investigation & Forensic
Internal Audit & Advisory Services

Subject: Investigation into Employee Misconduct – Preliminary Assessment s.22

Introduction

In July 2011, the Investigations and Forensics Unit, Office of the Chief Information Officer (OCIO), Ministry of Citizen's Services advised Internal Audit & Advisory Services (IAAS) of an investigation that was underway within the Ministry of Advanced Education (the ministry). We were also advised at that time that the Public Service Agency (PSA) was assisting in the investigation. We met with the ministry and PSA to discuss the incident and offer our assistance, as necessary.

Background

s.22

Conclusion

Based on our examination of available evidence and discussions with relevant officials within the ministry, PSA and OCIO, we conclude that there is no further role for the Office of the Comptroller General in this investigation.

While we agree that conflict of interest situations can be potentially very serious matters, there is insufficient evidence at this time that would warrant the additional use of OCG resources to investigate this matter further.

Notwithstanding, we have advised the ministry, with the assistance of PSA and OCIO, to focus their investigative efforts or s.22 s.22 **Investigation of such incidents falls within OCIO's legislated mandate.**

We would recommend that the ministry provide the Comptroller General with an update at the conclusion of their investigation, including what actions were taken, if any, to discipline the employee, as well as to prevent similar incidents from occurring.

If you require additional information or clarification on any areas in this report, please contact Stacy Johnson at (250) 356-7863 or me at (250) 387-8542.

Dan Peck
Director, Professional Practice
Investigation & Forensic
Internal Audit & Advisory Services

pc:

s.22

Chris Brown
A/Executive Director
Internal Audit & Advisory Services

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Ministry of Finance Internal Audit & Advisory Services

MEMORANDUM

To: Stuart Newton
Comptroller General
Ministry of Finance

October 27, 2011
File No.: 010106
Ref No.: 251444

From: Dan Peck
Director, Professional Practice
Investigation and Forensic
Internal Audit & Advisory Services

Subject: s.22 Program Investigation

Introduction

On May 24, 2011 the Ministry of Public Safety and Solicitor General (PSSG or the ministry) advised Internal Audit & Advisory Services (IAAS) of a s.22 s.22 within Emergency Management BC (EMBC).

The ministry immediately reported s.22 to the Investigations and Forensics Unit, Office of the Chief Information Officer (OCIO), Ministry of Labour, Citizens' Services and Open Government as well as the Public Service Agency (PSA). s.16

On June 1, 2011 IAAS met with representatives from EMBC, the OCIO, and PSA to discuss the ministry's concerns and to determine the next steps. IAAS agreed to investigate s.22 s.22 PSA agreed to assist the ministry in their internal investigation of s.22 s.22 with the assistance of the OCIO.

Background

In August 2010, EMBC awarded Kerr Wood Leidal Associates Ltd. (KWL) a $78,393 contract (the contract) to provide hydraulic assessment services within the lower Fraser River. The contract contained an annual renewal provision for the subsequent four years, at the ministry's discretion. The previous service provider, Northwest Hydraulic Consultants Ltd., was unsuccessful with a bid of s.21 The other unsuccessful bidder was Aard Hydrotechnical Ltd. with a bid of s.21

In May 2011, as the ministry was involved in contract renewal discussions with KWL, EMBC management s.17, s.13

s.17, s.13

On May 31, 2011 the ministry put the KWL contract renewal discussions on hold and began an internal investigation.

EMBC management identified irregularities s.22

s.22

During their internal investigation, EMBC management learned s.22

s.22

s.22 As noted above, the ministry investigated s.22

s.22

As a result, s.22 were the subject of further scrutiny, as follows:

s.22

Purpose

IAAS conducted the necessary investigative procedures which included a review of relevant documentation and records, s.22 to confirm or dispel the ministry's concerns of s.22 s.22 as identified by EMBC management.

Approach

We conducted the following steps:

- reviewed documentation related to the procurement of hydraulic assessment services provided by KWL;
- examined the contract between the ministry and KWL;
- examined the business transactions, including paid invoices, involving KWL and the province related to the lower Fraser River contract;
- analyzed s.22 s.22
- participated in regular consultations with PSSG, OCIO, and the PSA;
- reviewed materials prepared by PSA with respect to their assistance in the investigation of s.22 and
- examined other relevant information and documentation, as determined necessary.

Conclusion

Our investigation has substantiated the ministry's concerns s.22

s.22

s.22

Further, we have reviewed the results of the internal investigation that was performed by the ministry, with the assistance of PSA and the OCIO, which

s.22

We concur with the findings of the ministry's internal investigation, s.22

s.22

Actions Taken by Ministry

The ministry took the following key actions. They are listed, s.22

s.22

s.22

Current Status of Investigation

s.22, s16

If you require additional information or clarification on any areas in this report, please contact me at (250) 387-8542 or Stacy Johnson at (250) 356-7863.

Stacy Johnson

for Dan Peck
Director, Professional Practice
Investigation & Forensic
Internal Audit & Advisory Services

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Internal Audit & Advisory Services

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Ministry of Finance | Internal Audit & Advisory Services

MEMORANDUM

To: Stuart Newton
Comptroller General
Ministry of Finance

October 18, 2011
File No.: 050133
Ref. No.: 251199

From: Dan Peck
Director, Professional Practice
Investigation & Forensic
Internal Audit & Advisory Services

Subject: Investigation into Employee Travel Expenditures - Ministry of Forests, Lands and Natural Resource Operations - Preliminary Assessment

Introduction

In February 2011, the Office of the Comptroller General received an anonymous allegation regarding the travel expenses of a former Ministry of Forests, Lands, and Natural Resource Operations (the ministry or FLNR) employee.

Specifically, the complainant raised concerns regarding the justification and appropriateness of this s.22 employee's travel expenditures s.22 s.22 and frequently commutes between the two locations at the "taxpayer's expense."

The Comptroller General requested that Internal Audit and Advisory Services (IAAS) review the complaint by conducting a preliminary assessment to determine whether a fuller investigation is warranted.

Background

In May 2007, s.22 was hired as an s.22 in the ministry's s.22 .

In March 2008, it appears that the ministry reviewed some of the employee's travel claims and identified a number of issues including s.22 entitlement to claim Group 3 meal per diem rates, s.22 actual headquarters location (for the purpose of determining travel status), some missing receipts and questionable expenditures, as well as various other errors. At this time, we do not know what actions, if any, were taken by the ministry.

In 2009, the Corporate Compliance and Controls Monitoring Branch (3CMB) selected the employee's expense claims as part of their routine iExpense review process. Their review of the employee's travel expenditure claims raised some similar concerns, including the issue involving s.22 "travel status." Specifically, 3CMB questioned why the

employee claimed travel expenditures while s.22 was in s.22 when it appears the employee's headquarters was s.22 3CMB contacted the ministry and requested specific documentation evidencing approval for the employee to claim travel while in s.22 At this time, it is unclear what evidence 3CMB received in support of their request.

The employee's total travel expenditures for the period May 2007 to December 31, 2010, by fiscal period, were as follows:

- 2007/08 (10 months) - $33,232
- 2008/09 (12 months) - $66,202
- 2009/10 (12 months) - $44,709
- 2010/11 (9 months) - $28,881

The following is a high level analysis of this individual's travel claims specifically related to s.22 travel within s.22 for the period May 2007 to December 31, 2010:

Fiscal Year	Days of Claims Related to s.22	Available Working Days	% Days with Claims
2007/08 (10 months)	87	207	42.0
2008/09 (12 months)	147	252	58.3
2009/10 (12 months)	153	250	61.2
2010/11 (9 months)	100	187	53.5

We contacted the ministry and have been advised that this individual is now employed at the s.22 We confirmed s.22 employment status through CHIPS, which indicates that s.22 transferred from s.22 former ministry to s.22 new ministry on s.22 CHIPS indicates that s.22 new position is s.22 and s.22 job title is s.22 s.22

Conclusion

Based on our examination of available evidence which included the employee's personnel records and travel expense claims for the period May 2007 to December 2010, as well as discussions with 3CMB and Financial Management Branch, we believe that additional investigation is required to conclude this matter.

Evidence indicates this employee currently works in s.22 s.22 and has been permitted to incur significant travel costs commuting between s.22 and s.22 For example, between May 2007 and December 2010, the employee's travel expenses totalled $173,024.

We have reason to believe that this travel arrangement continued beyond December 2010 but do not know if the travel arrangement currently exists in s.22 new ministry s.22

We also identified that this employee received a $20,000 "appointment incentive" following s.22 hire in 2007. We are aware the employee's hire, including the incentive payment, was approved by the Assistant Deputy Minister and involved the Public Service Agency.

To satisfactorily conclude this matter, we recommend that FLNR and s.22 senior management discuss the issues raised in our review and prepare a co-ordinated response with respect to this government employee's travel expenditures.

Specifically, we ask that FLNR provide the Comptroller General with a detailed explanation and supporting documentation evidencing the business justification and approval of this arrangement, including the appointment incentive.

If the current arrangement still exists, we ask that s.22 provide the Comptroller General with a detailed explanation and supporting documentation evidencing the business justification for continuation of this arrangement following s.22 transfer from FLNR.

If you require additional information or clarification on any areas in this report, please contact Stacy Johnson at (250) 356-7863 or me at (250) 387-8542.

Dan Peck
Director, Professional Practice
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s.22

Chris Brown
A/Executive Director
Internal Audit & Advisory Services

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Ministry of Finance Internal Audit & Advisory Services **MEMORANDUM**

To: Stuart Newton
Comptroller General
Ministry of Finance

October 7, 2011
File No.: 039232
Ref No.: 251124

From: Dan Peck
Director, Professional Practice
Investigation & Forensic
Internal Audit & Advisory Services

Subject: Accountable Advances s.22 – Monitoring

Introduction

On June 22, 2011, 3CMB, Ministry of Finance, brought forward concerns regarding a Ministry of Children and Family Development (the ministry) employee's outstanding travel card account and unpaid accountable advances. Specifically, 3CMB indicated that:

- The employee's travel card was cancelled by the Bank of Montreal (BMO) in 2008 and the outstanding balance of approximately $3,400 was transferred to collections.
- The employee allegedly received several travel advances in fiscals 2010/11 and 2011/12 that had not been paid back.
- The employee allegedly received more monies than s.22 was entitled to by failing to claim the accountable advances s.22 had received when s.22 submitted s.22 iExpense claims for fiscals 2010/11 and 2011/12.

Background

The ministry hired s.22 in December 2007 and issued s.22 a BMO travel card. In March 2008 the Bank of Montreal cancelled the card for non-payment and the outstanding balance of $3,365.38 was eventually transferred to the ministry for recovery purposes.

s.22

Since the employee's travel card was cancelled, the employee used accountable advances to accommodate s.22 travel needs.

Conclusion

We reviewed the concerns brought forward by 3CMB, examined relevant documentation and determined that:

- **The employee had an outstanding travel card balance of approximately $3,400 in 2008, BMO commenced collection efforts, and the ministry eventually recovered the full amount from the employee by April 2011, through payroll deductions.**

- **Based on a more detailed review by IAAS, as corroborated by discussions with 3CMB, we conclude that the employee had actually repaid the majority of** s.22 **accountable advances.**

  However, we determined that there was an outstanding balance of $2,709 owed by the employee with respect to 2010/11.

  Accordingly, we have requested that 3CMB follow up this outstanding balance with the ministry to determine the current status.

- **The employee did not receive more monies than** s.22 **was entitled to, as originally suspected. Specifically, we could not find any evidence that the employee filed an iExpense claim without reporting the corresponding accountable advance.**

An additional matter came to our attention during our review of the employee's travel card activities. Specifically, 3CMB determined that the ministry had advanced the employee $500 for a deposit on an apartment rental. This issue was promptly reported by 3CMB to the ministry for clarification and resolution.

Actions Taken by 3CMB and the Ministry in Response to this Incident

<u>3CMB Actions</u>

- On August 17, 2011, 3CMB advised the ministry of concerns regarding unpaid accountable advances, a history of travel card delinquency, and possible errors in iExpense claims submitted by one of their employees.

- 3CMB advised the ministry to follow up on the employee's outstanding balance of $2,709 identified during the review, to confirm the current status.

Ministry Actions

- The ministry advised 3CMB that they took the following actions:
  - The employee's outstanding travel card debt of $3,365.38 has been fully repaid through payroll deductions.
  - Aside from the outstanding balance identified by 3CMB that is currently being followed up, the ministry advises that all of the employee's travel advances have been repaid.
  - The $500 apartment deposit has been reclassified as an account receivable and is being closely monitored by the ministry to ensure it is recovered.
  - The ministry has issued a new travel card to the employee following a discussion of cardholder responsibilities, and they will be closely monitoring her travel card activities to ensure compliance.

Dan Peck
Director, Professional Practice
Investigation & Forensic
Internal Audit & Advisory Services

pc: Craig Wilkinson
Executive Financial Officer
Financial Services
Ministry of Children and Family Development

Chris Brown
A/Executive Director
Internal Audit & Advisory Services

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Ministry of Finance Internal Audit & Advisory Services **MEMORANDUM**

To: Stuart Newton
Comptroller General
Ministry of Finance

October 19, 2011
File No.: 039235
Ref No.: 251265

From: Dan Peck
Director, Professional Practice
Investigation & Forensic
Internal Audit & Advisory Services

Subject: Investigation into Employee Misconduct - Ministry of Children and Family Development - Monitoring

Introduction

In August 2011, the Investigations and Forensics Unit, Office of the Chief Information Officer (OCIO), Ministry of Citizen's Services advised Internal Audit & Advisory Services (IAAS) of an investigation that was underway within the Ministry of Children and Family Development (MCFD or the ministry). We were also advised at that time that the Public Service Agency (PSA) was assisting in the investigation. We discussed this incident with the ministry and the OCIO to obtain specific information and offer our assistance, as necessary.

Background

s.22 s.22 located in North Vancouver, was being investigated by the ministry for potential violations in the following areas:

- Performing non-work related activities during business hours which interfered with the performance of s.22 duties as a provincial government employee.
- Distributing confidential information to an unauthorized party without authority. Specifically, the ministry suspected that the employee sent government materials to a s.22 s.22
- A potential conflict of interest arising from s.22 non-government business activities that, if proven, would be a breach of her fiduciary duty to the province.

On s.22 pending the outcome of an internal investigation that was commenced immediately.

Conclusion

Based on our examination of available evidence and discussions with relevant officials within the ministry and OCIO, we are satisfied that the ministry took the appropriate steps to investigate and resolve this incident.

With respect to performing non-work related activities during business hours and a potential conflict of interest arising from s.22 s.22 **the ministry's internal investigation could not find compelling evidence to support allegations that** s.22 **violated government policy in these two areas.**

However, the ministry did conclude that the employee breached the provincial government's Standards of Conduct by distributing confidential information to an unauthorized party without authority. On PSA's advice, the ministry assigned a s.22 **for this infraction. but otherwise** s.22 s.22

If you require additional information or clarification on any areas in this report, please contact Jim Bulmer at (250) 387-5150 or me at (250) 387-8542.

Dan Peck
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pc Craig Wilkinson
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Ministry of Finance Internal Audit & Advisory Services

MEMORANDUM

To: Stuart Newton
Comptroller General
Ministry of Finance

December 19, 2011
File No.: 039231
Ref No.:252055

From: Dan Peck
Director
Investigation and Forensic
Internal Audit & Advisory Services

Subject: Child Care Subsidy Grant Overbilling

Introduction

On June 6, 2011, the Investigations and Forensics Unit, Office of the Chief Information Officer, Ministry of Citizen's Services (OCIO), advised Internal Audit & Advisory Services (IAAS) of an internal investigation that was underway within the Ministry of Children and Family Development (the ministry).

The investigation involved a ministry employee who had received excess child subsidy grants (grants) by under-reporting s.22 income. Specifically, the internal investigation concluded that the employee had received $6,700 of grants in excess of the amount to which s.22 would have otherwise been entitled.

IAAS requested specific information to assess the ministry's handling of the incident as part of its monitoring and reporting role within the Office of the Comptroller General.

Background

The ministry operates the Child Care Subsidy program that provides monthly payments to assist eligible families with the cost of child care. Eligibility and payment amounts are based on family income.

The ministry employee began receiving grant monies in November 2005, after applying to the Child Care Subsidy Centre (the centre) and providing the required information, including s.22 earnings.

In February 2011 the centre determined that the employee had not properly disclosed s.22 income and promptly advised the ministry's Verification and Audit Office, who subsequently conducted the investigation, with the assistance of the Public Service Agency (PSA).

Conclusion

The ministry took prompt action to respond to this incident once the overbilling was discovered (February 2011). Such action included conducting an internal investigation and requesting the assistance of the PSA and the OCIO.

The ministry concluded that the employee deliberately under-reported s.22 **earnings for the period January 1, 2009 to March 31, 2011 which resulted in receiving an excess of approximately $6,700 in child subsidy grant payments.**

Although the matter was not reported to the Office of the Comptroller General until June 2011, we are nonetheless satisfied with the internal investigation team's results and subsequent actions taken by the ministry.

Actions Taken/Planned by the Ministry

The ministry took the following actions:

- The employee was s.22 s.22
- The ministry sought recovery of the $6,700 from the employee and subsequently transferred the debt to the Ministry of Finance for collection on October 31, 2011, as the s.22 employee has failed to repay the monies owed the province.

In addition, the ministry has agreed to report future incidents to the Office of the Comptroller General in a timely manner, as required by government policy.

If you require additional information or clarification on any areas in this report, please contact me at (250) 387-8542 or Jim Bulmer, Business Advisor, Investigations at (250) 387-5105.

Dan Peck
Director
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