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## **Report on Scw'exmx Child & Family Services Society**

### **Ministry of Children & Family Development**

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### **Internal Audit & Advisory Services Office of the Comptroller General Ministry of Finance**

Date of fieldwork completion: October 2010

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## Abbreviations

CIC	Children in Care, meaning children in legal care of the Ministry of Children and Family Development or delegated aboriginal agencies under the <i>Child, Family and Community Services Act</i>
CICs	The plural of CIC
INAC BC	Indian and Northern Affairs Canada, BC Region
MCFD or the ministry	Ministry of Children and Family Development
SCFSS, or the agency	Scw'exmx Child and Family Services Society
SSA	Support Services Agreement
SWSMIS	Social Worker Management Information System
VCA	Voluntary Care Agreement
VFM	Value-for-Money
YAG	Youth Agreement

## Executive Summary

We have completed our financial compliance review of Scw'exmx Child and Family Services Society (SCFSS or the agency). The Ministry of Children and Family Development (MCFD or the ministry) and Indian Northern Affairs Canada, BC Region (INAC BC), jointly sponsored the review. The purpose of these reviews is to help improve accountability and partnering with First Nations for aboriginal children and family services.

The financial compliance review focused on SCFSS' maintenance billings to Indian and Northern Affairs Canada (INAC) for children in care (CIC) and Out of Care placement, documentation in the agency's files on caregivers, and select financial and administrative matters. MCFD also requested us to include a review of MCFD off-reserve children in care files. These reviews are to be conducted on a three-year rotational basis. This is the second financial compliance review conducted in this agency.

This report excludes any assessment of the quality of case management, such as a practice standards review or audit of child files, and operational management. MCFD is responsible for completing the case practice audit and the operational review.

SCFSS has, over the past year, been operating in a climate of extreme instability and labour shortage, due to unusually high turnover within its management ranks. Given that the agency has focused its energies on its day-to-day operations and the needs of its children, the observations and suggestions presented below should be read within this context. Also, subsequent to our fieldwork, the agency informed us that they have hired a new Executive Director and Clinical Supervisor, and that they are now actively engaged in implementing many new processes that will address the concerns identified in our review.

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### INAC Funded Child Maintenance Billings

We reviewed a sample of 25 INAC funded child maintenance files. We found the agency met or partially met INAC's terms and conditions for the funding of 17 children in legal care or under an Out of Care (not in legal care) placement agreement during the scope period of April 1, 2009 to March 31, 2010. We identified eight files that did not meet INAC's terms and conditions; specifically, the custodial parents of two files had off-reserve addresses at the time of intake into continuous legal care and six files billings were not supported by agreements. We suggest SCFSS ensure agreements are in place to support their full billing period.

INAC was billed at the regular foster parent per diem versus the actual costs up to a maximum per diem per type of Out of Care Placement Agreement due to the lack of clarification of funding types. We suggest INAC work with the agency to clarify appropriate billing amounts. We provide potential billing adjustments for consideration by INAC and the agency in section 1.1.

Lastly, we reviewed a sample of two months of the entire population of INAC funded children and found the agency paid a caregiver of a child in legal care or had an Independent Living Agreement in place for the days that INAC was billed.

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MCFD Funded  
Child Maintenance  
Billings

We reviewed a sample of six files funded by MCFD during our scope period and we were able to determine all but one met MCFD's terms and conditions for funding due to the lack of documentation.

We reviewed a sample of two months of the entire population of MCFD funded children and found the agency paid a caregiver of a child in legal care or had an Independent Living Agreement in place for the days that MCFD was billed.

We also found at no time during the scope period were the same children being funded by both MCFD and INAC concurrently.

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INAC Funded  
CIC Caregivers

Our sample consisted of seven agency INAC funded CIC caregivers (foster parents). We found several of the recommendations made during SCFSS' first Financial Compliance Review had not been consistently applied. Generally, we found SCFSS did not have the required documentation in their caregiver files. SCFSS generally did not have signed contracts in the files, criminal record checks or evidence of completing the required checks before approving caregivers. As well, we found annual reviews and training plans were not consistently completed. While SCFSS pays more than the MCFD rates for restricted homes, the agency's per diem rates are lower for non-restricted homes which may impact SCFSS' caregiver recruitment opportunities.

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Financial and  
Administrative  
Procedures

SCFSS is operating under a current delegation of authority under applicable legislation, and is in good standing under the *Society Act* and with the Province's Master Insurance Plan. We identified opportunities to improve their security of confidential CIC and caregiver files and information, and believe that the agency should further document and communicate their security practices.

The agency has developed a financial management policy and procedures manual which contains clear and comprehensive policy and control procedures over budgets, revenues and expenditures, assets and liabilities; however, at the time of this review, a copy of the most current version of this manual had not been distributed to all affected staff.

The agency's bank reconciliations are complete, timely, and independently reviewed. In addition, we found expenditure and payment authorizations to be appropriate, in terms of authority level, and consistently applied to expenditure transactions. An exception was noted in terms of an expenditure transaction involving an expansion of \$38,000 to a large construction contract, where expenditure approval from the Board of Directors was not evident.

Segregation of duties can be challenging in a small agency like SCFSS but the agency has implemented many good compensating controls. However, given the continued involvement of the agency's Finance Manager in multiple financial functions, we identified additional control opportunities to compensate for this lack of segregation such as eliminating the Finance Manager's cheque signing authority and consider having an independent person reconcile funds received in the mail, to actual bank deposits.

We identified opportunities for SCFSS to improve its budgeting, financial reporting and monitoring, and contract management practices, in order to strengthen its controls, facilitate enhanced decision making, and/or receive better value-for-money. Specifically, we have suggested that the agency ensure that their annual budget is prepared and approved on a timely basis and that monthly reporting and monitoring of the agency's actual financial activity against its budgeted activity occurs. We also suggest SCFSS use proper contract documents which clearly describe contracted deliverables and payment terms; that the agency ensure that all contracts be given clear end-dates and be pre-authorized by a proper expenditure authority; and, that the agency, where appropriate, ensure that contracts are awarded based on an open and competitive bidding process.

Lastly, we found that SCFSS had successfully implemented the recommendations from our previous review, with the exception of our recommendation for the agency to document its bank reconciliation procedures.

We would like to thank the management and staff of Scw'exmx Child and Family Services Society for their warm welcome, patience, and assistance during this review. We would also like to thank INAC BC and MCFD for their input and assistance.

Chris Brown  
A/Executive Director  
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Internal Audit & Advisory Services

## Comments and Recommendations

### 1.0 Financial Compliance Review

The financial compliance review focused on Scw'exmx Child and Family Services Society (SCFSS or the agency) maintenance billings to Indian and Northern Affairs Canada (INAC) for children in care (CIC) and Out of Care placement, documentation in the agency's files on caregivers, and select financial and administrative matters. We also reviewed SCFSS' maintenance billings to the Ministry of Children and Family Development (MCFD or the ministry).

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#### 1.1 Children in Care

##### Objectives

To determine whether agency maintenance billings for children in care of the Director or in an Out of Care placement met:

- INAC's terms and conditions for funding; and
- MCFD's terms and conditions for funding.

##### Conclusion

##### INAC Funded Child Maintenance Billings

**We reviewed 25 INAC funded child maintenance files. We found the agency met or partially met INAC's terms and conditions for the funding of 17 children in legal care or under an Out of Care (not in legal care) placement agreement during the scope period of April 1, 2009 to March 31, 2010. We identified eight files that did not meet INAC's terms and conditions. Specifically, the custodial parents of two files had off-reserve addresses at the time of intake into continuous legal care and six files billings were not supported by agreements. We suggest SCFSS ensure agreements are in place to support their full billing period.**

**INAC was billed at the regular foster parent per diem versus the actual costs up to a maximum per diem per type of Out of Care Placement agreement due to the lack of clarification of funding types. We suggest INAC work with the agency to clarify appropriate billing amounts. We provide potential billing adjustments for consideration by INAC and the agency in section 1.1.**



**Lastly, we reviewed a sample of two months of the entire population of INAC funded children and found the agency paid a caregiver of a child in legal care or had an Independent Living Agreement in place for the days that INAC was billed.**

#### **MCFD Funded Child Maintenance Billings**

**We reviewed six files funded by MCFD during our scope period and we were able to determine all but one met MCFD's terms and conditions for funding due to the lack of documentation.**

**We reviewed a sample of two months of the entire population of MCFD funded children and found the agency paid a caregiver of a child in legal care or had an Independent Living Agreement in place for the days that MCFD was billed.**

**We also found at no time during the scope period were the same children being funded by both MCFD and INAC concurrently.**

#### **1.1.1 INAC Funded Child Maintenance Billings**

Our original sample consisted of 27 files at the agency; however, we reviewed 25 files (during fieldwork we found two samples chosen from INAC's list were not funded). While we found the agency met or partially met INAC's terms and conditions for funding 17 files, we identified eight files that did not meet these conditions. Subsequent to our fieldwork we found one of the eight files was not funded by INAC.

We identified opportunities to improve SCFSS' case management by ensuring agreements (either in legal care or Out of Care placement agreements) are in place for the entire billing period and the Social Worker Management Information System (SWSMIS) accurately reflects the child's Legal Authority and Location History.

We identified potential billing adjustments for review by INAC and the agency. INAC informed us that they reimburse the agency's actual cost of Out of Care placement payments up to a maximum amount (depending on the type of agreement). We found that in most cases, INAC was reimbursing the agency at the foster parent per diem rate rather than the actual costs. SCFSS informed us that they tried, on several occasions, to obtain clarification from INAC for the different billing amounts related to Out of Care placement agreements but without success. We provided the agency information to assist them in future billings of these types of agreements. We also suggest INAC work with the agency to clarify when specific billings rates are to be used.

Subsequent to our fieldwork, SCFSS informed us that they are in the process of implementing a system to ensure the finance department receives appropriate and timely information to facilitate proper billing. They are also revisiting information on SWSMIS to ensure the information is accurate and complete.

File	INAC Eligibility Criteria Met - Yes or No	Reason if Criteria Not Met	Potential Billing Adjustments	Comments, if any
1.	Yes		INAC was billed nine days at \$73.78 but the agency's actual respite cost was \$315.  The potential billing adjustment would be \$349 (\$664-\$315).	The child was under a Support Services Agreement (SSA) and actual costs up to a maximum per diem rate of \$87.38 should be billed to INAC rather than the foster parent per diem rate for a child in legal care.
2.	No	The child was not in legal care. The agency did not have an Out of Care placement agreement to support their billings and to allow us to confirm whether the custodial parent's address was on or off-reserve.	The potential billing adjustment would be \$369 (\$73.78 for five days).	If INAC was to accept the billings without an agreement, there would still be a billing adjustment to reflect the difference between the regular foster parent per diem rate and the actual respite cost.
3.	Yes		INAC was billed \$17,191 (\$73.78 for 233 days).  Supporting financial information shows SCFSS funded the child a total of \$9,561; however, this exceeds the maximum allowable per diem rate of \$21.23 for INAC funding under Section 12.2 Youth Agreements (YAG).	For some months that the YAG was in place, SCFSS did not bill INAC the full number of days in the month.  However, for our calculation of allowable costs, we used the full number of days in the month to reflect that YAG costs (e.g. rent, utilities, etc.) would cover the entire month.

File	INAC Eligibility Criteria Met - Yes or No	Reason if Criteria Not Met	Potential Billing Adjustments	Comments, if any
			<p>Using the maximum allowable per diem rate of \$21.23, we calculated the allowable cost to be \$5,838 (\$21.23 for 275 days - see comment regarding number of days used).</p> <p>The potential billing adjustment would be \$11,353 (\$17,191-\$5,838).</p>	
4.	No	The child was not in legal care. The agency did not have an Out of Care placement agreement to support their billings and to allow us to confirm whether the custodial parent's address was on or off-reserve.	The potential billing adjustment would be \$590(\$73.78 for eight days).	Same comment as sample 2.
5.	Yes		<p>INAC was billed 15 days at \$73.78 but the agency's actual respite cost was \$508.</p> <p>The potential billing adjustment would be \$599 (\$1,107-\$508).</p>	
6.	Not applicable. Subsequent to our fieldwork, we found INAC did not fund this file.	Not applicable.	No adjustment.	The SWSMIS indicated the child was under a Voluntary Care Agreement (VCA); however, no agreement was located at the agency. It is important to ensure the agreements are in place and signed before taking custody of the child.

File	INAC Eligibility Criteria Met - Yes or No	Reason if Criteria Not Met	Potential Billing Adjustments	Comments, if any
				<p>This may help protect the agency and the family should a dispute arise at a later date regarding the care of the child.</p> <p>If the child was not under a VCA, the agency should ensure SWSMIS accurately reflects the status of the child, if any.</p>
7.	Partially Met	The agency did not have an agreement in place to support the number of days billed in July, 2009.	<p>INAC was billed \$11,288 (\$73.78 for 153 days).</p> <p>Supporting financial information shows SCFSS funded the child a total of \$7,853; however, this exceeds the maximum allowable per diem rate of \$21.23 for INAC funding under Section 12.2 YAG.</p> <p>Using the maximum allowable per diem rate of \$21.23, we calculated the allowable cost to be \$3,247 (\$21.23 for 153 days).</p> <p>The potential billing adjustment would be \$8,041 (\$11,288-\$3,247).</p>	<p>See comment under sample 3.</p> <p>We also noted that the YAG was effective July 13, 2009 but was not signed until October 13, 2009.</p> <p>Agreements should be signed on a timely basis and should cover the entire billing period to ensure expectations of both parties are agreed upon before services are provided and to protect the agency against any potential legal liabilities.</p>
8.	Partially Met	<p>The agency did not have agreements in place to support all the days billed.</p> <p>The agency did not have a YAG in place from April 8 to May 31, 2009, and January to end of February 2010 but provided support to the child.</p>	<p>INAC was billed \$14,461 (\$73.78 for 196 days).</p> <p>Supporting financial information shows SCFSS funded the child a total of \$5,784 related to the time period the child was covered under a YAG; however, this exceeds the maximum allowable per diem rate of \$21.23 for INAC funding under Section 12.2 YAG.</p>	<p>It is important to have agreements in place to defend the entire period the agency provides support. This may also protect the agency from any potential legal liability should any dispute arise regarding the care of the child.</p>

File	INAC Eligibility Criteria Met - Yes or No	Reason if Criteria Not Met	Potential Billing Adjustments	Comments, if any
			<p>Using the maximum allowable per diem rate of \$21.23, we calculated the allowable cost to be \$3,906 (\$21.23 for 184 days).</p> <p>The potential billing adjustment would be \$10,555 (\$14,461-\$3,906).</p>	
9.	Partially Met	<p>The agency did not have agreements in place to support all the days billed.</p> <p>SWSMIS indicated the child was in legal care under a VCA for the entire scope period but there was no VCA or any agreement in place from November 2, 2009 to January 31, 2010.</p>	<p>INAC was billed \$24,643 (\$73.78 for 334 days).</p> <p><u>Allowable costs:</u></p> <ol style="list-style-type: none"> <li>1) \$11,067 (\$73.78 for 150 days) for April, August to October 2009 and February 2010 under VCA.</li> <li>2) \$3,185 (\$35 for 91 days).</li> </ol> <p><u>Billing adjustment:</u></p> <p>The potential billing adjustment would be \$10,390 (\$24,643-\$3,185-\$11,067).</p> <p>There may be a further adjustment for April 2009 if INAC accepts the SSA rather than the VCA (for billing purposes).</p>	<p>SWSMIS showed that the child was under a VCA while documents in the file evidenced that the child was under an Out of Care Placement agreement, SSA, from April 1 to July 31, 2009. The agency should ensure the accuracy of SWSMIS. This information is important if a case worker must rely on SWSMIS during an after hour call out.</p> <p>There were two different agreements (SSA and VCA) in place for the April 2009 billing. Each agreement has different financial implications for the agency. We suggest INAC and SCFSS work together to determine which agreement (and billing amount) is applicable for April 2009. See comment under sample 1.</p>

File	INAC Eligibility Criteria Met - Yes or No	Reason if Criteria Not Met	Potential Billing Adjustments	Comments, if any
10.	Yes		No billing adjustment.	The Location History on SWSMIS did not reflect the child's current caregiver. This may be of concern particularly if a case worker must rely on the information during an emergency after hour call and does not have access to the physical file located in the agency. Subsequent to our fieldwork, the agency informed us that they are working to ensure the Location History on SWSMIS is up dated on a timely basis.
11.	No	The child was not in legal care. The agency did not have an Out of Care placement agreement to support their billings and to allow us to confirm whether the custodial parent's address was on or off-reserve.	The potential billing adjustment would be \$10,477 (\$73.78 for 142 days).	See comment under sample 2.
12.	No	The child was not in legal care. The agency did not have an Out of Care placement agreement to support their billings and to allow us to confirm whether the custodial parent's address was on or off-reserve.	The potential billing adjustment would be \$4,500 (\$73.78 for 61days).	See comment under sample 2.
13.	Yes		No billing adjustment.	

File	INAC Eligibility Criteria Met - Yes or No	Reason if Criteria Not Met	Potential Billing Adjustments	Comments, if any
14.	Partially Met	The agency did not have agreements in place to support the full billing period.  According to SWSMIS, the child was in care under a VCA and then YAG during our scope period; however, we found there were no agreements in the file to support their billings from June 5 - September 28, 2009.	INAC was billed \$18,224 (\$73.78 for 247 days).  Allowable billing costs 1) \$4,796 (\$73.78 for 65 days under a VCA) 2) Allowable cost under a YAG - is the lesser of actual cost or \$21.23 per diem rate. In this case the per diem rate of \$21.23 was lower. \$3,206 (\$21.23 for 151 days).  Potential billing adjustment: \$10,222 (\$18,224-(\$4,796 + \$3,206)).	We found the agency billed INAC using the regular foster parent per diem rate for children in legal care rather than the allowable per diem rate under a YAG.
15.	Yes		INAC was billed 40 days at \$73.78 but the agency's actual respite cost was \$1,820.  The potential billing adjustment would be \$1,131 (\$2,951-\$1,820).	See comment under sample 1.
16.	Partially Met	While SWSMIS indicated the child was in legal care under a VCA, there was no VCA in place to support April-July, 2009 billings.	INAC was billed \$17,781(241 days at \$73.78); however, the VCA only supported 137 days.  The potential billing adjustment would be \$7,673 ((241-137 days) at \$73.78)	It is important to ensure VCAs are in place for the entire period services are provided under legal care. This may protect the agency and the family should a dispute arise at a later date regarding the care of the child.
17.	Yes		INAC was billed six days at \$73.78 but the agency's actual respite cost was \$210.  The potential billing adjustment would be \$233 (\$443-\$210).	See comment under sample 1.



File	INAC Eligibility Criteria Met - Yes or No	Reason if Criteria Not Met	Potential Billing Adjustments	Comments, if any
18.	Partially Met	While SWSMIS showed the child was in legal care under a VCA for the entire scope period, we found there was no VCA or any agreement in place from November 2, 2009 to January 31, 2010.	<p>The potential billing adjustment would be \$10,390 (\$24,643-\$3,185-\$11,067).</p> <p>There may be a further adjustment for April 2009 if INAC accepts the SSA rather than the VCA (for billing purposes).</p> <p>See calculations under sample 9.</p>	See comment under sample 9.
19.	No	The child was not in legal care. The agency did not have an Out of Care placement agreement to support their billings and to allow us to confirm whether the custodial parent's address was on or off-reserve.	The potential billing adjustment would be \$116 (\$73.78 for three days).	See comment under sample 2.
20.	Yes		<p>INAC was billed \$20,437 (\$73.78 for 277 days).</p> <p>Supporting financial information shows SCFSS funded the child a total of \$8,004; however, this exceeds the maximum allowable per diem rate of \$21.23 for INAC funding under Section 12.2 YAGs. Using the maximum allowable per diem rate of \$21.23, we calculated the allowable cost to be \$7,091 (\$21.23 for 344 days).</p> <p>The potential billing adjustment would be \$13,346 (\$20,437-\$7,091).</p>	See comment under sample 3.



File	INAC Eligibility Criteria Met - Yes or No	Reason if Criteria Not Met	Potential Billing Adjustments	Comments, if any
21.	Yes		INAC was billed 41 days at \$73.78 but the agency's actual respite cost was \$1,435.  The potential billing adjustment would be \$1,590 (\$3,025-\$1,435).	See comment under sample 1.
22.	Although on the list provided to us by INAC, the sample was not reviewed as INAC did not fund during our scope period.			
23.	Yes		For the billing period June-December 2009 (94 days), the child was under a SSA.  The potential billing adjustment would be \$3,645 (94 days at (\$73.78-\$35)).	See comment under sample 1.
24.	Although on the list provided to us by INAC, the sample was not reviewed as INAC did not fund during our scope period.			
25.	Yes		INAC was billed 18 days at \$73.78 but the agency's actual respite cost was \$1,050 related to the SSA.  The potential billing adjustment would be \$278 (\$1,328-\$1,050).	See comment under sample 1.
26.	No	Custodial parent's address on legal documents at intake indicates an off-reserve address.	INAC paid the agency a per diem rate of \$73.78 for 365 days totalling \$26,930.  MCFD funds the agency a per diem rate of \$60.13 totalling \$21,947 for the same number of days the child was in care during the scope period.	The file was the responsibility of the ministry at this intake date. MCFD, INAC, and the agency should review this file further for funding adjustments.

File	INAC Eligibility Criteria Met - Yes or No	Reason if Criteria Not Met	Potential Billing Adjustments	Comments, if any
27.	No	Custodial parent's address on legal documents at intake indicates an off-reserve address.	INAC paid the agency a per diem rate of \$73.78 for 365 days totalling \$26,930.  MCFD funds the agency a per diem rate of \$60.13 totalling \$21,947 for the same number of days the child was in care during the scope period.	See comment under sample 26.

We reviewed a sample of two months of the entire population of INAC funded children in the agency and found the agency paid a caregiver for those children who were residing with a caregiver.

### 1.1.2 MCFD Funded Child Maintenance Billings

We reviewed six MCFD funded files and found they met MCFD's terms and conditions with the exception of one file. The results are as follows:

File	INAC Eligibility Criteria Met - Yes or No	Reason if Criteria Not Met	Potential Billing Adjustments	Comments, if any
1.	Yes			
2.	Cannot Determine	File volume 1 which should contain the documents at the intake date cannot be located at the agency.		
3.	Yes			
4.	Yes			
5.	Yes			
6.	Yes			

We reviewed a sample of two months of all MCFD funded children in the agency and found the agency paid a caregiver or had an Independent Living Agreement in place.

We also found at no time during the scope period were the same CICs being funded by both MCFD and INAC concurrently.

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## 1.2 Caregivers

### Objective

To assess whether caregivers (foster parents, group homes, and institutions) of INAC funded CICs have current contracts, adequate insurance coverage, and met applicable criteria for the level of care billed.

### Conclusion

**Our sample consisted of seven agency INAC funded CIC caregivers (foster parents). We found several of the recommendations made during SCFSS' first Financial Compliance Review have not been consistently practiced. Generally, we found SCFSS did not have the required documentation in their caregiver files. SCFSS generally did not have signed contracts in the files, criminal record checks (CRCs) or evidence of completing the required checks before approving caregivers. As well, we found annual reviews and training plans were not consistently completed. While SCFSS pays more than the MCFD rates for restricted homes, the agency's per diem rates are lower for non-restricted homes.**

We reviewed the sample of seven INAC funded CIC agency caregivers based on criteria consistent with Appendix C of the INAC Child and Family Services Review Process. MCFD funded CIC caregivers are not within the scope of this review.

Subsequent to our fieldwork, SCFSS informed us that they are working on the completeness of their resource files by implementing processes to ensure the appropriate documentation are completed on a timely basis.

The results of our review of the seven caregiver files are as follows:

Criterion	Criterion Met Yes or No	Reason if Criterion Not Met	Comments, if any
1. Caregivers of INAC-funded CICs were supported by signed contracts while providing care.	No	<p>Out of a sample of seven INAC funded caregivers, only one file had a contract in place for the relevant time period during our scope period.</p> <p>We also noted that a current contract (outside of our scope period) the agency had in place with a caregiver only had one of the two caregiver's signature.</p>	<p>Having contracts in place before caregivers provide services helps ensure service deliverable expectations are clear and caregivers are covered under the government's Master Insurance Plan (MIP), thereby reducing potential liability to the agency and the caregiver.</p> <p>Contracts should also be signed by both caregivers in the household to ensure they are covered under the MIP.</p>
2. Caregivers have adequate liability insurance coverage.	Partially Met	<p>The agency's contract template does include a phrase which states the caregivers' responsibility to provide their own vehicle insurance (although house insurance is not specified). However the template does not reflect that the caregivers receive comprehensive general liability insurance coverage under the provincial MIP.</p> <p>There was no evidence in the files to indicate the caregivers have current and valid home and car insurance.</p>	<p>We suggest the agency contract template reflect the provincial government's master insurance program as the current provider of the comprehensive general liability insurance.</p> <p>Although not a requirement of the Aboriginal Operational and Practice Standards and Indicators, it is good practice to confirm and document whether caregivers have valid insurance coverage to reduce potential liability to the agency and caregiver.</p> <p>Subsequent to our fieldwork, the agency informed us that this requirement could be included in the checklist they are currently developing.</p>

Criterion	Criterion Met Yes or No	Reason if Criterion Not Met	Comments, if any
3. Caregivers in foster homes have undergone a CRC.	No	<p>SCFSS informed us that they conduct a CRC prior to placing children. We found only two of the seven files sampled had evidence of a CRC:</p> <ul style="list-style-type: none"> <li>One file only had one of the two caregivers' CRC on file.</li> <li>The second file's CRCs were last conducted in 1995.</li> </ul>	Ensuring CRCs on caregivers are completed, current, and on file, helps evidence that the agency is performing their due diligence that the caregiver is appropriate.
4. Caregivers in foster homes have met provincial requirements for training.	Partially Met	We found four files indicated some training taken or identified training needs.	Training plans help ensure caregivers receive appropriate training to provide care for children under their care.
5. Annual reviews of caregivers in foster homes are performed and adequately documented, and there is ongoing monitoring of the caregivers.	Partially Met	While some files we reviewed were not due for their first annual review, we found that where annual reviews were required, they were not completed on an annual basis.	<p>The annual caregiver review process allows both the agency and the caregivers to review the caregiver's services, discuss training considerations, and provide feedback.</p> <p>Annual reviews also provide an opportunity for the agency to develop plans to address any concerns that may arise.</p>
6. Caregivers in foster homes have met provincial requirements for approval (i.e., home study, medical, references).	No	Only two of the files contained all of the documents to support the provincial requirements for approval. We were informed that some of the caregivers' files were closed before these were completed and some documents had not been placed in the file.	Documentation should be kept in the file to evidence that the agency has performed their due diligence when approving their caregivers.

Criterion	Criterion Met Yes or No	Reason if Criterion Not Met	Comments, if any
7. A suitable diary system is maintained, to provide follow-up for required actions.	No	We found the agency was not using a suitable diary system to track actions related to caregiver files.	Implementing a diary system will assist the agency to monitor and to track changes so caregiver files are complete.  Subsequent to our fieldwork, the agency informed us that they are in the process of developing a diary system to facilitate timely completion of documentation.
8. Caregiver payments are consistent with the contracted payment rate (foster homes and group homes); and with the MCFD-approved rate for the type/level of care provided (foster only).	Partially Met	SCFSS' contracts did not include a payment Schedule A that states the rate of pay, although the contract makes reference to this schedule.  We found SCFSS pays a higher per diem rate than the recommended MCFD rates for restricted caregivers but do not pay leveled home rates. The rates used for non-restricted homes are lower than MCFD's level home rates.	Including the relevant payment schedules with the contract will help ensure parties to the contract are aware and agreed to the payment terms.  Consideration of payment rates for leveled homes may assist SCFSS in their caregiver recruitment.  Subsequent to our fieldwork, the agency informed us that they are reviewing opportunities for changing caregiver payment rates.
9. Recommendations made to the agency in prior Financial Compliance Review have been followed up.	Partially Met	While SCFSS did respond to the recommendations made in the first Financial Compliance Review conducted at the agency, we found that in practice, the agency has not fully implemented these recommendations.	Implementing these recommendations will provide the agency with assurances that children have been placed with appropriate caregivers who have valid contracts in place for services they will provide. As well, the agency will demonstrate their due diligence in screening, on-going monitoring, and training caregivers.

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## 1.3 Financial and Administrative Procedures

### Objectives

To determine whether the agency's administrative procedures are consistent with the requirements of Appendix C of the INAC Child and Family Services Review Process, which specifically includes verifying that the agency:

- has a current delegation of authority or mandate from the Province of BC;
- is in good standing under the federal or provincial legislation it is incorporated or registered under, where applicable;
- has liability insurance consistent with provincial requirements;
- is maintaining its CIC and caregiver files in a confidential and secure environment;
- has financial management policies and procedures that are comprehensive, understandable, and available for board and staff member reference;
- performs bank reconciliations on a timely basis, which are complete and independently reviewed; and
- has expenditure and payment authorizations that are correct and appropriate.

### Conclusion

**SCFSS is operating under a current delegation of authority under applicable legislation, and is in good standing under the *Society Act* and with the province's MIP. SCFSS could improve their security of confidential CIC and caregiver files and information, and should further document and communicate their security practices.**

**The agency has developed a Financial Management Policy and Procedures Manual which contains clear and comprehensive policy and control procedures over budgets, revenue, expenditures, assets and liabilities; however, some of the agency's financial staff were not aware of the manual's most recent version (2008) until this review (two years later).**

The agency's bank reconciliations are complete, timely, and separately reviewed. We found expenditure and payment authorizations to be appropriate (i.e., proper authority level) and consistently applied to expenditure transactions. An exception was noted in terms of an expansion to a large construction contract, where expenditure approval from the Board of Directors was not evident.

Segregation of duties can be challenging in a small agency like SCFSS but the agency has implemented many good compensating controls. However, given the continued involvement of the agency's Finance Manager in multiple financial functions, we identified the need for additional controls to compensate for this lack of segregation such as eliminating the Finance Manager's cheque signing authority and consider having an independent person reconcile funds received in the mail, to actual bank deposits.

Budgeting practices at the agency require improvement. Specifically, the annual budget should be prepared and approved before the start of the new budget year; and, monthly reporting and monitoring of actual against budgeted financial activity should occur, in order to facilitate sound decision making by the agency and the Board.

We have identified some opportunities for the agency to strengthen its control over contracted goods and services, and receive better value-for-money (VFM) by:

- using only proper and official contract documents which clearly describe the deliverables and payment terms, and which contain other protective provisions;
- ensuring that all contracts are given clear end-dates, and are pre-authorized by a proper expenditure authority; and
- ensuring that contracts, where appropriate, are awarded based on an open and competitive bidding process.

Lastly, we found that in respect to the Financial and Administrative procedures, SCFSS fully implemented the recommendations made in our previous review, with the exception of the recommendation to further segregate financial duties and authorities at the agency, and to document the agency's bank reconciliation procedures.



Criterion	Criterion Met Yes or No	Reason if Criterion Not Met	Comments, if any
1. The Agency is operating under a Delegation Enabling, or Confirmation, Agreement with MCFD that is in good standing.	Yes		
2. The Agency is a Registered Society, an Indian Band legally established under the <i>Indian Act</i> , or incorporated under Industry Canada Letters Patent.	Yes		
3. If a Registered Society, the agency's annual report filed date is current.	Yes		

4. The Agency has \$2,000,000 Comprehensive General Liability insurance and has Directors and Officers Liability insurance.

Yes

5. The Agency has a secured storage facility to ensure that there is no unauthorized access to CIC and caregiver files.

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Criterion	Criterion Met Yes or No	Reason if Criterion Not Met	Comments, if any
<p>6. Financial Management Policy and Procedures Manual covers controls over:</p> <ul style="list-style-type: none"> <li>• budgets and interim financial reporting</li> <li>• revenue</li> <li>• expenditures</li> <li>• assets</li> <li>• liabilities</li> </ul>	Yes	<p>While the agency has a fairly comprehensive financial management policy and procedures manual, we found SCFSS was not in compliance with their policy with regards to budget preparation and financial reporting and monitoring. We noted:</p> <ul style="list-style-type: none"> <li>• the annual budget had not been prepared for review and adoption by the Board until well after the start of the applicable budget year; and</li> <li>• monthly reporting and monitoring of the agency's actual financial activity against its budgeted financial activity is not done.</li> </ul>	<p>By preparing an annual budget on a timely basis and by performing monthly monitoring of budget to actual financial revenue and expenditures, the agency increases their opportunities to:</p> <ul style="list-style-type: none"> <li>• identify potential risk of deficits early on;</li> <li>• increase management's ability to plan and make decisions regarding financial resources in the different program areas;</li> <li>• identify potential budget changes on a timely basis; and</li> <li>• identify irregular expenditure trends in different expense categories, if any.</li> </ul>
7. Board members and staff have ready access to financial management policies and procedures.	Partially Met	The agency's financial management policy and procedures manual was revised in 2008 based on input and approval from SCFSS Board members; however, some financial staff at the agency only became aware of the new version during our review (two years after the revision).	Timely communication of the agency's most current financial management policy and procedures manual to agency staff will help facilitate compliance with these policies and control procedures.

Criterion	Criterion Met Yes or No	Reason if Criterion Not Met	Comments, if any
8. Expense approval and payment signing authorities are segregated.	Partially Met	<p>Although expense approval and payment signing authorities are not fully segregated, the agency has implemented some good compensating controls. Specifically, cheques must be signed by two authorized signatories (one must be a Board member) and the Executive Director (the main expenditure authority), is not allowed to sign invoices or cheques for which he/she is the payee.</p> <p>However, the Finance Manager is involved in multiple financial processes, resulting in a lack of segregation of duties.</p> <p>For example, the Finance Manager's responsibilities include depositing funds, processing and signing cheques, preparing monthly bank reconciliations, and keeping accounting records.</p> <p>Overall, we found expenditure and payment authorizations and processes to be appropriate (i.e., proper authority level) and consistently followed. However, during our review of a sample of transactions, we did note two expenditure transactions were missing supporting documentation.</p> <p>During our review of a sample of agency expenditures, we also identified opportunities for SCFSS to improve their contract management practices. We found:</p>	<p>The agency recognized the lack of segregation of duties and removed the payroll function from the Finance Manager's responsibilities, and also has an independent person review the bank reconciliations. However, opportunities to further increase segregation of duties may include removing the Finance Manager's authority to sign cheques and having an independent person reconcile funds received in the mail (per receipt book or mail log entries), to actual bank deposits (per the monthly bank statements).</p> <p>Stronger controls may help protect staff occupying positions where there is little segregation of duties, should discrepancies arise.</p> <p>The implementation of stronger expenditure and payment controls will help mitigate the risk of:</p> <ul style="list-style-type: none"> <li>• incorrect payments;</li> <li>• inappropriate and/or unauthorized purchases;</li> <li>• budget deficits;</li> <li>• financial and/or asset loss; and</li> <li>• loss of VFM on contracted goods or services.</li> </ul>

Criterion	Criterion Met Yes or No	Reason if Criterion Not Met	Comments, if any
		<ul style="list-style-type: none"> <li>a contract with no specified end-date;</li> <li>a contract signed by the contractor and by a previous Executive Director, prior to the \$34,000 construction project being approved by the Board; and</li> <li>expansion of work to the construction project noted above was not supported by an amended or new contract that was established based on a competitive bidding process. SCFSS was unable to provide us with documentation to support that the additional \$38,000 in renovation costs had been pre-approved by the Board.</li> </ul>	
9. There are appropriate controls over cheques.	Yes		
10. Bank reconciliations are complete, timely and separately reviewed.	Yes		
11. Recommendations made in prior Financial Compliance Reviews related to Objective C have been implemented by the agency.	Partially Met	<p>SCFSS has implemented most of the recommendations from the first Financial Compliance Review.</p> <p>Recommendations which remain outstanding, either completely or partially, include:</p>	

Criterion	Criterion Met Yes or No	Reason if Criterion Not Met	Comments, if any
		<ul style="list-style-type: none"> <li>the agency document its newly adopted bank reconciliation procedures in its financial policy manual; and</li> <li>financial duties be further segregated.</li> </ul>	