

Pages 1 through 16 redacted for the following reasons:

s.14, s.15, s.22

MEMORANDUM

To: Stuart Newton
Comptroller General
Ministry of Finance

August 13, 2012
File No.: 019050
Cliff No.: 265571

From: Dan Peck
Director, Investigation and Forensic
Office of the Comptroller General
Ministry of Finance

Subject: Student Loan Incident s.22 - Closure of File

Introduction

In February 2011, Student Aid BC (SABC), Ministry of Advanced Education advised the Office of the Comptroller General and the Public Service Agency (PSA) of concerns involving a Ministry of Children and Family Development (the ministry) employee that received student loan funding that s.22 was not entitled to receive.

Specifically, a SABC audit determined that the ministry employee had under-reported s.22 earnings on a student loan application resulting in inappropriately receiving student loan funding.

The Investigation Unit (IU) agreed that the PSA would assist the ministry in their internal investigation and that they would provide the IU with the results of the investigation, including requested information, in order to provide the Comptroller General with assurance that this incident was handled appropriately.

Background

s.22 a ministry employee, began receiving student loan s.22 funding
s.22

s.22 became a permanent full time employee with the ministry on
s.22

When s.22 sought forgiveness of s.22 student loans s.22
s.22 SABC conducted an audit of
s.22 file to assess s.22 request.

Conclusion

We are satisfied that the province took prompt action to investigate this matter and seek recovery of the provincial monies that the employee inappropriately received.

We are also satisfied that the province, acting on PSA's advice, took appropriate steps to discipline the employee. Specifically, s.22 was terminated on s.22

We are advised that there were other factors, in addition to the findings related to the student loan funding issue, which led to s.22 dismissal.

Details Supporting the SABC/PSA Findings and Conclusion

- s.22 received study loan funding while s.22 was employed by the ministry by under-reporting s.22 earnings on s.22 student loan application.

Specifically, for the s.22 declared s.22 pre-study income as s.22 and s.22 projected study period income as s.22

- Bv under-reporting s.22 pre-study and study period income, s.22 received s.22 in student loan funding that s.22 would not have received if s.22 had accurately reported s.22 earnings.

This funding s.22 received was comprised of s.22 in BC Student Loan funds and s.22 in Canada Student Loan funds.

- s.22 also received student loan funding totalling s.22 that s.22 would not have received if s.22 had appropriately reporting s.22 earnings on s.22 own student loan application.

s.22 reported on s.22 application that s.22 had both pre-study and study period income as s.22

The funding s.22 received was comprised of s.22 in BC Student Loan funds, s.22 in Canada Student Loan funds, and s.22 s.22

- SABC took action, in accordance with its mandate, to initiate recovery of provincial student loan funding provided to both the ministry employee, s.22 and s.22 spouse, s.22
- s.22 are prohibited from receiving future student loan funds until the outstanding amounts owed (over-award) have been paid in full.

Ministry Update

s.22

While the ministry rejected s.22 request for loan forgiveness based on the findings of their review, recovery efforts are proceeding through their standard over-award process. Specifically, s.22 completed s.22 studies s.22 and is required to commence repayment of s.22 outstanding student loan balance of s.22 commencing s.22

s.22

If you require additional information or clarification please contact me at (250) 387-8542 or Stacy Johnson at (250) 356-7863.



for

Dan Peck
Director, Investigation and Forensic
Office of the Comptroller General

pc:

Anne Sandbu
Assistant Deputy Minister
Finance and Corporate Services
Ministry of Children and Family Development

Joseph Thompson
Executive Financial Officer
Ministry of Advanced Education

Deborah Fayad
Executive Financial Officer
BC Public Service Agency

To: Stuart Newton
Comptroller General
Ministry of Finance

August 2, 2012
File No.: 026112
Ref No.: 265462

From: Dan Peck
Director, Investigations and Forensic
Office of the Comptroller General
Ministry of Finance

Subject: Ministry of Health - s.22 Pharmacy Overbilling Investigation Monitored by
Investigation and Forensic Unit – Closure of File

Background

We have completed our monitoring of the Ministry of Health (the ministry) - s.15, s.22
Pharmacy Overbilling Investigation.

In February 2010 the Ministry of the Attorney General, working with the Ministry of
Health (the ministry), advised Internal Audit and Advisory Services (IAAS), Office of the
Comptroller General (OCG) of an alleged billing scheme perpetrated by a s.22
s.22 of a pharmacy located in s.15, s.22 British Columbia.

The matter was referred to the Investigations and Forensic Unit (IU), OCG who agreed
to review the ministry's handling of the incident.

Accordingly, the IU contacted the ministry to request specific information, and
subsequently agreed that the ministry's PharmaCare Audit Unit would conduct an
internal investigation.

It was also agreed that the results would be provided to the IU for assessment
purposes, in order to provide the Comptroller General with assurance that the matter
was handled appropriately.

Conclusion

The ministry took prompt action to investigate the allegations forwarded by s.15, s.22
s.15, s.22

**Such actions included immediately contacting the RCMP for assistance and
subsequently initiating an internal investigation using qualified PharmaCare audit
staff.**

The ministry also notified the College of Pharmacists of B.C. for the purpose of disclosing relevant details of the pharmacy s.22

The ministry recovered \$19,950.50 from the pharmacy by offsets to subsequent PharmaCare claims.

We are advised the s.22 of the s.15, s.22 pharmacy identified in this investigation is s.22 of the pharmacy, thus mitigating the ministry's exposure to the risk of similar transactions being processed by this specific individual/pharmacy.

s.15

Details of Allegation/Internal Investigation Findings

- Allegation was initially reported to the College of Pharmacists of B.C. on January 14, 2010, by s.15, s.22
- s.15, s.22
- The ministry immediately contacted the RCMP to discuss the allegations. At that time, the RCMP indicated they required more information before they would consider investigating the matter.
- PharmaCare Audit Unit conducted investigation April 2010 and finalized their report on November 22, 2010.
- Investigation examined the period June 2007 to October 2009 and identified the following:

s.15

s.15

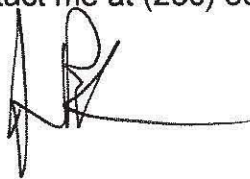
Actions Planned by Ministry

s.17

s.15

Although the Investigation Unit has concluded its monitoring efforts on this matter, we would recommend follow-up with the ministry to assess the status of the ^{s.15, s17} of the report above. _{s. 15, s17}

If you require additional information, please contact me at (250) 387-8542 or Jim Bulmer at (250) 387-5105.



for Dan Peck
Director, Investigations and Forensic
Office of the Comptroller General

Pages 23 through 33 redacted for the following reasons:

s.15

s15



To: Stuart Newton
Comptroller General
Ministry of Finance

August 9, 2012
File No.: 050132
Ref No.: 265552

From: Dan Peck
Director, Investigation and Forensic
Office of the Comptroller General
Ministry of Finance

Subject: Employee Leave Investigation – Ministry of Forests, Lands and Natural
Resource Operations – Closure of File

Introduction

On January 28, 2011, s.22, Ministry of Forests, Lands and Natural Resource Operations (the ministry) advised the Office of the Comptroller General (OCG) of an ongoing internal investigation involving leave entitlement irregularities with one of their employees.

Specifically, the ministry determined that the employee had failed to record a significant amount of vacation leave in the government's leave management system (Time On Line or TOL).

The Investigation Unit (IU), OCG requested that the ministry provide specific information for assessment purposes, in order to provide the Comptroller General with assurance that this incident was handled appropriately.

Background

s.22 noticed that s.22
s.22 or the employee) had taken leave without recording all of the leave s.22 had actually taken, management performed a reconciliation of the employee's s.22 leave transactions by reviewing the ministry's Sign-Out Security System, CHIPS, and TOL.

The ministry's reconciliation efforts confirmed their suspicions and they promptly advised the Public Service Agency (PSA) who were already assisting s.22 management s.22

The PSA agreed to assist the ministry in resolving the matter.

Conclusion

We are fully satisfied that the ministry took prompt and appropriate steps to investigate concerns involving one of their employee's leave transactions, including the necessary disciplinary action and recovery efforts.

Specifically, the ministry, acting on the PSA's advice, terminated ^{s.22} employment and subsequently recovered approximately \$22,000, the amount that the investigation determined ^{s.22} had inappropriately received.

We are encouraged by the collaborative efforts of ministry management and the PSA in the conduct of the investigation, as well as the timely reporting of this incident to the OCG.

Details Supporting Internal Investigation's Findings and Conclusion

- In early January 2011 the ministry met with ^{s.22} to discuss discrepancies with ^{s.22} leave transactions for the calendar year ^{s.22}
- As a result of the initial meeting with ^{s.22}, the ministry expanded the investigation's scope to include the employee's leave transactions for the period ^{s.22}
- The ministry determined that ^{s.22} had failed to record over 800 hours of leave that ^{s.22} had actually taken during this time period.
- Ministry management met with the employee on two additional occasions to discuss the leave anomalies, as well as issues involving ^{s.22} performance.
- ^{s.22} failed to provide the ministry with any reasonable explanation for the discrepancies identified by the investigation team with respect to ^{s.22} leave transactions.
- The ministry reported their findings to the OCG in January 2011.
- The ministry suspended ^{s.22} effective ^{s.22} pending a recommendation for dismissal.
- The ministry calculated that ^{s.22} had received \$22,213.40 in remuneration ^{s.22} was not entitled to by failing to record 844.25 hours of personal leave transactions.
- At the ministry's request, the IU reviewed the internal investigation team's methodology, re-performed specific calculations, sought clarification where necessary, and provided comments and advice.
- The ministry terminated ^{s.22} employment ^{s.22}

- The ministry began formal recovery efforts or s.22 by requesting, in writing, that s.22 repay \$22,213.40.
- On s.22 the ministry commenced formal collection proceedings.
- On s.22 the ministry reached a settlement agreement with s.22 s.22

The agreement specified that s.22 would forgo s.22 entitlement to severance pay, thus extinguishing any monies owed the province.

Additional Actions Taken by the Ministry

To mitigate further exposure to incidents of this nature, the ministry has taken and planned the following additional actions:

- Audited leave transactions for all district staff (excluded and included);
- Strengthened controls over employee leave approval; and
- Implemented a requirement to periodically review employee leave transactions.

If you require additional information or clarification, please contact me at (250) 387-8542 or Stacy Johnson at (250) 356-7863.

for 

Dan Peck
Director, Investigation and Forensic
Office of the Comptroller General

pc: Denise Bragg
Executive Financial Officer
Ministry of Forests, Lands
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Terry Gelinas
Chief Financial Officer and Executive Director
Ministry of Forests, Lands,
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To: Stuart Newton
Comptroller General
Ministry of Finance

July 27, 2012
File No.: 112110
Ref.: 265238

From: Dan Peck
Director, Investigation & Forensic
Office of the Comptroller General
Ministry of Finance

Subject: s.15 Office Cash Loss - Ministry of Labour, Citizens' Services and
Open Government s.15

Introduction

On s.15 the Ministry of Labour, Citizens' Services and Open Government (the ministry) advised the Investigation Unit (IU), Office of the Comptroller General (OCG) of an incident that occurred on s.15 2011, involving a cash loss from a s.15 s.15 (the office) s.15 British Columbia.

s.15

In 2011 the IU did a preliminary assessment of the control environment and advised the ministry that the loss appeared somewhat suspicious but also determined that assigning accountability for its loss was not possible with the available evidence.

s.15

As part of its monitoring role within the OCG, the IU agreed to revisit the circumstances involving the original loss, as well as its subsequent recovery, to assess the incident and provide practical recommendations to ensure this matter has been satisfactorily resolved.

Background

The office s15 receives and deposits payments from the public for various government services. s15

s.15

s.15

The office conducted an internal review of the incident but was unable to assign accountability for its loss. Nonetheless, the office immediately revised its s15

s15

s15

s.15

The IU discussed the matter with the office s15 to re-assess their original suspicions regarding the loss, and to evaluate the circumstances surrounding the deposit bag's recovery almost a year later.

Conclusions and Recommendations

Based on our examination of available evidence, including interviews of relevant ministry officials, including the s15, s.22 we believe the ministry took reasonable steps to investigate the loss in 2011.

Although the ministry identified the employee s.15 2011, s15 and was responsible for its care and custody, it was unable to determine whether the loss was the result of error or malfeasance, and whether such error or malfeasance involved s15

s.15

Actions Taken by the Ministry

The ministry has advised the IU that it has taken the necessary steps to fully investigate the original loss and its subsequent recovery.

s.15

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



Dan Peck
Director, Investigations and Forensic
Office of the Comptroller General

pc: Sarf Ahmed
Assistant Deputy Minister
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Corporate Services Division
Ministry of Labour, Citizens' Services and Open Government

Teri Lavine
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Pages 40 through 42 redacted for the following reasons:

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**Report on Accounting Operations Branch's Third
Party Liability Siebel System Enhancement Risk and
Controls Review**

Ministry of Health

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

Date of fieldwork completion: March 2012

Table of Contents

Section

Page No.

Abbreviations.....	i
Report Summary.....	1
Risk and Controls Review.....	2
Purpose	2
Scope	2
Approach	3
Conclusions	3
Appendix A – Scope and Objectives & Summary of Residual Risks	6
Appendix B – TPL Siebel System Enhancement Risk and Controls Matrix	7
Appendix C – Risk Ranking Tables	43
Appendix D – Ministry Management’s Detailed Action Plan.....	44

Abbreviations

BA	Business Analyst
DRP	Disaster Recovery Plan
BCP	Business Continuity Plan
CAS	Corporate Accounting System
CGI	An Information Systems company that provides services to the Ministry of Health.
IDIR	Corporate Employee Authentication System
LAN	Local Area Network
MSP	Medical Services Plan
PHN	Personal Health Number
PHSA	Provincial Health Services Authority
PIA	Privacy Impact Assessment
SBC	Senior Business Consultant
SSBC	Shared Services BC
STRA	Security Threat Risk Assessment
TPL	Third Party Liability
TPL Siebel System	Third Party Liability Siebel application
UAT	User Acceptance Testing
the branch	Third Party Liability Branch
the ministry	Ministry of Health Services

Report Summary

Background

The Ministry of Health's (the ministry) Accounting Operations Branch includes the Third Party Liability (TPL) group. TPL is responsible for the recovery of health care costs when a British Columbia resident is injured due to a third party's wrongful act or omission for both motor vehicle accidents and non-motor vehicle accidents.

The *Health Care Costs Recovery Act*, passed on May 29, 2008 and brought into force by Regulation April 1, 2009, allows the ministry to recover all health care costs paid by government related to a beneficiary's injury that was caused by the wrongful act of a third party. In order to assist TPL in meeting the targets specified in the *Health Care Costs Recovery Act*, the ministry implemented a case management application in April 2009. The system is known as the Third Party Liability Siebel Application (TPL Siebel System) and is currently supported by a repository of medical expense data and documents captured digitally from source data systems.

Due to time constraints, and the unavailability of the HealthIdeas Data Warehouse, the TPL system was to be implemented over two phases, as described below:

- Phase 1: Implemented in April 2009, this phase encompassed the configuration and implementation of the TPL Siebel System case management capability with the automated data retrieval functionality deactivated until such time as data can be sourced from the ministry's data warehouses.
- Phase 2: Develop and implement automated data interfaces between the HealthIdeas data warehouse and the TPL application for hospitalization, Medical Services Plan (MSP) and Pharmacare data. In addition, implement an interface between the TPL application and the BC Ambulance Service system. Phase 2 (hereinafter referred to as TPL Siebel System Enhancement) will also improve reporting and make changes to the system to satisfy the recommendations of the Financial Risk and Controls Review completed in 2010 for Phase 1. The recommendations were focused primarily on improving system security, developing audit reports and processes, and the completion of a Disaster Recovery (DRP) and Business Continuity Plan (BCP).

By implementing this solution the ministry aims to meet the following high level objectives:

- to provide a system that will enable TPL staff to electronically gather medical expenses incurred by a patient and to prepare detailed reports;
- to provide a system that enables TPL to meet legislated target response times;
- to leverage HealthIdeas as a common data source for MSP, Pharmacare and hospitalization data; and
- to provide enhanced audit reporting and business reporting capabilities.

In accordance with the Chapter 13 of the Core Policy Manual, the ministry requested a risk and controls review for the TPL Siebel System Phase 2 implementation.

Risk and Controls Review

Purpose

The purpose of this assignment was to:

- assess the adequacy of the TPL Siebel System Enhancement implementation, processes and controls to mitigate business, privacy and security risks; and
- recommend procedures to address any significant gaps identified in the control framework.

Scope

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

The scope did not include a review of the integrity of the source systems nor the network infrastructure.

Approach

Internal Audit & Advisory Services performed the review over the period January 2012 to March 2012.

The approach included applying a risk assessment methodology in developing control objectives for the TLP Siebel 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.

The implementation of the planned controls and the retention of the existing safeguards stated in the matrices are a ministry management responsibility. However, we did confirm the implementation and adequacy of some selected controls through interviews and reviews of the supporting documentation.

During the course of the review, the project team was provided periodic updates of the review progress and results.

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 TPL Siebel System Enhancement 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 business continuity.

s.15

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

- The TPL branch should create a single Operations Manual that combines both business and automated procedures into a single location.

s.15

s.15

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



Chris D. Brown, CA
Assistant Deputy Minister
Internal Audit & Advisory Services
Ministry of Finance

July 30, 2012

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 TPL Siebel System 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 TPL Siebel System and related processes meet government and ministry standards.		
1. Policies and Procedures	To ensure that senior management has established the policy framework for the TPL and related operating processes.	s.15
2. Continuous Services	To ensure that backup and recovery procedures, DRP and a BCP are in place for the TPL system / processes and are periodically tested and updated.	
3. Compliance	To determine whether the TPL Siebel System operating environment complies with legislation and government financial, security and privacy policies.	
4. Logical Security	To ensure that logical security procedures are established that ensure only authorized users and IT support can access the TPL system functions in accordance with their roles.	
5. Change Management Process	To ensure that formal change management procedures are in place for the application maintenance and that changes do not jeopardize the security and integrity of the data.	
Financial Processes and Application Functionality Controls - to determine whether the documented controls within the TPL Siebel System are adequate to ensure data integrity and reliability of the information.		
6. Data Integrity	To ensure that people specific information as well as organizational information is completely and accurately recorded.	s.15
7. Queries and Reports	To ensure that all queries and reports are complete and accurate and provide useful information.	
8. Interface to Source Systems	To ensure that information capture from source systems (HealthIdeas data warehouse and BC Ambulance) is recorded and processed completely, accurately and in a timely manner.	
9. Management Trail	To ensure that there is an appropriate audit trail in place to allow those who support the system to effectively track transactions, and identify suspicious activity.	
10. Awareness and Training	To ensure users are able to properly utilize the financial system and apply the system controls to prevent important information from being compromised or disclosed to unauthorized individuals.	

Pages 55 through 90 redacted for the following reasons:

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Appendix C – Risk Ranking Tables

LIKELIHOOD (L) = Probability of the risk event actually occurring.

Level	Descriptor	Approximate probabilities:
A	Certain	90 – 100%
B	Likely	55 – 89%
C	Possible	25 – 54%
D	Unlikely	5 – 24%
E	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)

Likelihood	← Consequence →				
	1	2	3	4	5
A	Low	Medium	High	Extreme	Extreme
B	Low	Medium	High	High	Extreme
C	Low	Medium	Medium	High	High
D	Low	Low	Medium	Medium	Medium
E	Low	Low	Low	Low	Low

Control Objective represents a standard and comes from standard control practices, knowledge of the program and internal control theory. **L** is the likelihood of the risk occurring (RMB rating scale A E). **C** is the consequence (or impact) should the risk event actually occur (RMB ranking score 1 5). **LXC** is the potential risk before controls implemented. **Controls/Planned Controls** are what will actually be implemented. **Res** is the residual risk after the control is implemented (L, M, H).

Assessment/Recommendation is the IAAS assessment of the control.

Appendix D – Ministry Management’s Detailed Action Plan

Ministry Response

Ministry Management’s Detailed Action Plan for the TPL Siebel System Enhancement Risk & Controls Review

Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
1. The TPL branch should create a single Operations Manual that combines both business and automated procedures into a single location.	Although it would appear to be helpful to have on line help, Accounting Operations will add automated processes into its manual procedure manual. We will not update the online help system at this time as it would result in duplicate work.	S.15	Nov. 30, 2012
2. The DRP should be tested at least annually to ensure that assigned resources are familiar with the process should a disruptive event ever occur.	HSIMT will engage the Ministry’s ASSM vendor, CGI, in discussions towards the development of a DRP test strategy that ensures the testing of all applications within the Ministry’s application portfolio, including the TPL system, at feasible periodic intervals.		Nov. 30, 2012
3. The ministry’s HSIMT Division should retain an electronic copy of all TPL material stored in the CGI document library in a Ministry managed local repository.	HSIMT will work with the Ministry’s ASSM vendor, CGI, to ensure that the required TPL system material is accessible to the appropriate Ministry personnel.		Nov. 30, 2012
4. Backup and restoration tests should be completed at least annually to confirm that the backup media and restoration procedures are working as intended.	HSIMT, together with the Ministry’s ASSM vendor, CGI, will review appropriate backup and restoration test requirements and determine an appropriate plan with respect to the TPL system.		Nov. 30, 2012

Control Objective represents a standard and comes from standard control practices, knowledge of the program and internal control theory. **L** is the likelihood of the risk occurring (RMB rating scale A E). **C** is the consequence (or impact) should the risk event actually occur (RMB ranking score 1 5). **LXC** is the potential risk before controls implemented. **Controls/Planned Controls** are what will actually be implemented. **Res** is the residual risk after the control is implemented (L, M, H). **Assessment/Recommendation** is the IAAS assessment of the control.

Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
5. The TPL branch management should strongly consider performing security screening rechecks for those staff whom have never received a security screen in order to reduce organizational risk.	A majority of the staff have had security checks done on them as the result of new hires and transfers. Although the Ministry requirements are every five years, Accounting Operations will submit the remaining staff to the screening and then continue to follow the five year plan.		Oct. 31, 2012
6. The STRA should be completed and signed off before the TPL Enhancement project is migrated into the Production environment.	The STRA has been updated one final time and has started the final sign off process.		July 31, 2012
	s.15		
8. The ministry's HSMIT Division should maintain an inventory of system components, or the inventory of system components that CGI manages should be stored locally for business continuity purposes.	HSIMT will work with the Ministry's ASSM vendor, CGI, to ensure to ensure that Ministry personnel have access to the inventory of systems components as appropriate.	s.15	Nov. 30, 2012
9. The Ministry should modify TPL to accept the new data feed for fixed wing and helicopter ambulance billing data, upon the completion of PHSA's planned modification of the BC Ambulance Services' billing system.	TPL will work with PHSA to ensure that the appropriate information is captured, provided to TPL and that TPL Siebel is able to receive the required information.		Ongoing – Linked to PHSA
10. The ministry's HSMIT Division should conduct a cost benefit analysis to determine if the enhanced reporting tool should be purchased, given that it would improve audit capabilities. CGI should also be engaged to determine if other enhanced reporting solutions exist.	There is currently ongoing discussion around a centralized Siebel data base. Part of the discussion and process will allow the use of a better reporting tool to be shared by all Ministries. This process will be followed before completing a cost benefit analysis. If the plan does not come to fruition the cost benefit analysis will be completed.		Dec. 31, 2012

Control Objective represents a standard and comes from standard control practices, knowledge of the program and internal control theory. **L** is the likelihood of the risk occurring (RMB rating scale A E). **C** is the consequence (or impact) should the risk event actually occur (RMB ranking score 1 5). **LXC** is the potential risk before controls implemented. **Controls/Planned Controls** are what will actually be implemented. **Res** is the residual risk after the control is implemented (L, M, H). **Assessment/Recommendation** is the IAAS assessment of the control.

Report on Reconstruction Loan Portfolio Financial Risk and Controls Review

Ministry of Finance

Distribution List	
Executive Director and Chief Financial Officer Financial Services and Administration Branch	S. Klak
Executive Director Revenue Division	D. Forbes
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Manager - Non Tax Operations Revenue Division	L. Hanaka

Internal Audit & Advisory Services Ministry of Finance

Date of fieldwork completion: March 2012

Table of Contents

Section

Page No.

Abbreviations	i
Report Summary	1
Risk and Controls Review	2
Appendix A – Scope and Objectives & Summary of Residual Risks	5
Appendix B – Reconstruction Loan Portfolio (RLP) Risk and Controls Matrix	7
Appendix C – Risk Ranking Tables	62
Appendix D – Ministry Management’s Detailed Action Plan Ministry Response	63

Abbreviations

CAS	Corporate Accounting System
DRP	Disaster Recovery Plan
BCP	Business Continuity Plan
FI	Financial Institution
HPAS	Hewlett Packard Advanced Solutions - An Information Systems Company that provides services to the Ministry of Finance
IDIR	Corporate Employee Authentication System
PIA	Privacy Impact Assessment
RLP	Reconstruction Loan Portfolio
RMO or the branch	Receivables Management Office
STRA	Security Threat Risk Assessment
UAT	User Acceptance Testing
the ministry	Ministry of Finance

Report Summary

Background

The Reconstruction Loan Portfolio (RLP) provides owners of water-damaged homes with support to help with the cost of repairs. The province established the program 10 years ago, during the height of the “leaky condo” issue, to support home owners and to put in place strong protection for new home buyers. Through the RLP, the province has approved more than \$670 million in interest-free loans to more than 16,000 households to help with repairs to leaky homes. The province has also provided \$23 million in Provincial Sales Tax rebates on repairs.

The aforementioned portfolio transitioned from the Homeowner Protection Office, a branch of BC Housing, to the Ministry of Finance’s Revenue Division effective April 1, 2010. The Receivables Management Office (RMO or the branch), a part of the Revenue Division, is responsible for managing the RLP. Although the program is now closed, and is no longer accepting new participants, the system must be upgraded and maintained in order to continue to serve existing participants.

The Ministry of Finance (the ministry) with assistance from the HP Advanced Solutions Inc. initiated a project to develop a long term application solution (hereinafter referred to as RLP system) to create a centralized repository of RLP participant information. By implementing the envisioned solution, the ministry also aims to achieve the following objectives:

- s.15 which will reduce the risk and costs associated with the current application;
- develop new capabilities for reliable, repeatable and efficient reporting;
- improve and expand the provision of meaningful information required for decision support; and
- improve efficiency, data quality and access.

In accordance with the Chapter 13 of the Core Policy Manual, the ministry is requesting a risk and controls review for the RLP system.

Risk and Controls Review

Purpose

The purpose of this assignment was to:

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

Scope

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

The scope did not include a review of the RLP operational processes, system operating environment, project management and system development processes.

Approach

Internal Audit & Advisory Services performed the review over the period February to April 2012.

The approach included applying a risk assessment methodology in developing control objectives for the RLP 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.

The implementation of the planned controls and the retention of the existing safeguards stated in the matrices are a ministry management responsibility. However, we did confirm the implementation and adequacy of some selected controls through interviews and reviews of the supporting documentation.

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

Conclusions

We conclude, for the scope areas reviewed and subject to the implementation of the recommendations contained in this report, that the RLP system processes and controls adequately mitigate the associated business risks.

During the performance of our work, we noted that the RLP application was delivered based on well-defined requirements by individuals with a strong understanding of the business and a dedicated commitment to the project's success.

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

- The RMO branch should ensure all users of the RLP system are adequately trained on all functions within the system.
- The RMO branch's Policies and Procedures Manual should be updated to direct the reader to the team level policies and procedures document, which are already documented.

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s.15

- Backup restoration tests should be completed at least annually to confirm that the backup media and restoration procedures are working as intended.
- RMO management should strongly consider performing security screening rechecks for those staff who have never received a security screen in order to reduce organizational risk.

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- Once data conversion has been completed, the legacy databases should be changed to Read Only, and should be retained for an appropriate period to support business needs.

- The process for reconciling to the Corporate Accounting System (CAS) should be documented by the Divisional Operations and Public Information group.

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- RMO should develop business requirements for the user friendly audit reports that would be requested to, and produced by, the HPAS Helpdesk. Developing requirements for these reports will reduce confusion when the reports are requested, allowing the Helpdesk to quickly and consistently produce these reports.

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

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



Chris D. Brown, CA
Assistant Deputy Minister
Internal Audit & Advisory Services
Ministry of Finance

August 22, 2012

Appendix A – Scope and Objectives & Summary of Residual Risks

The table below provides the RLP system review 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 RLP system 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 RLP system and related processes meet government and ministry standards.		
1. Roles and Responsibilities	To ensure that defined functions, related resources and segregation of duties are established.	s.15
2. Policies and Procedures	To ensure that senior management has established the policy framework for RLP and related operating processes.	
3. Logical Security	To ensure that logical security procedures are established that ensure only authorized users and IT support can access the system functions in accordance with their roles.	
4. Continuous Services	To ensure that backup and recovery procedures, disaster recovery procedures and a Business Continuity Plan (BCP) are in place for RLP and are periodically tested and updated.	
5. Compliance	To determine whether the RLP's operating environment complies with legislation and government financial, security and privacy policies.	
Application Functionality Controls - to determine whether the controls within RLP are adequate to ensure data integrity and reliability of the information.		
6. Data Integrity	To ensure that people specific information is completely and accurately recorded.	s.15
7. Payment Management	To ensure that all payments that originate within the system, but are carried out by a third party, are properly tracked and processed, and all interest payments to financial institutions (FIs) are issued.	
8. Automated Interface to Other Systems	To ensure that information captured from and transmitted to other systems (BC Assessment, Provincial Treasury) is recorded and processed accurately in a timely manner.	

Scope Area	Objective	Residual Risk (Rollup of Appendix B)
9. Data Conversion	To ensure that information captured from the source system is recorded and processed completely and accurately in a timely manner.	s.15
10. Queries and Reports	To ensure that all queries and reports are complete and accurate and provide useful information.	
11. Letters and Correspondence	To ensure that correspondence is generated accurately and completely in a timely manner.	
12. Manual Interface to CAS and Other Systems	To ensure that information manually captured from and transmitted to CAS and other systems is recorded and processed completely and accurately in a timely manner.	
13. Management Trail	To ensure that there is an appropriate audit trail in place to allow those who support the system to effectively track transactions, and identify suspicious activity.	

Pages 106 through 160 redacted for the following reasons:

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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)

Likelihood	Consequence				
	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

Pages 163 through 164 redacted for the following reasons:

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