

REPORT FOR THE MINISTRY OF CHILDREN AND
FAMILY DEVELOPMENT:

Agreed-Upon Procedures over the Encompass Support Services Society

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Executive Summary

We were engaged to perform agreed-upon procedures over the Encompass Support Services Society's (ESSS or Agency) internal processes and controls on behalf of the Ministry of Children and Family Development (MCFD or Ministry). This engagement focused on adherence to the Service Agreements between MCFD and ESSS and the internal controls that support appropriate expenditure and complete and accurate financial reporting. In addition, the engagement focused on the onboarding of Agency staff in line with MCFD's screening and assessment requirements.

Overall, the processes and controls in place were found to support accurate and reliable reporting related to ESSS's contractual responsibilities. Our procedures did not note any significant control deficiencies but did identify some observations relating to the hiring of new staff, allocation of payroll costs to MCFD contracts and the classification of an administrative cost as a program cost. In addition, some information was not provided by the Agency as of the January 14, 2021 audit documentation submission deadline. As a result, we were unable to conclude on certain procedures relating to financial controls and practices.

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We would like to thank the management and staff of the Encompass Support Services Society, who participated in and contributed to this engagement, for their assistance.



Stephen Ward, CPA, CA, CIA
Executive Director
Internal Audit & Advisory Services
Ministry of Finance

Introduction

The Ministry of Children and Family Development (MCFD or Ministry) provides residential services to children and youth with highly complex needs through contracted residential agencies. The Ministry provides monitoring and oversight by performing a variety of risk identification and management activities. This includes conducting audits and reviews to monitor service delivery, operational and financial performance, and compliance. Encompass Support Services Society (ESSS or Agency) was selected for testing as part of MCFD's fiscal 2019/20 audit plan for contracted residential agencies.¹

ESSS is a not-for-profit organization which provides accessible community programs and activities for all ages with a primary focus on children, youth and families to the communities of Langley. The Agency's primary source of income is from government-funded contracts and programs, with 65% (\$2 million) of the Agency's funding financed by MCFD during fiscal 2019.

Purpose, Scope and Approach

MCFD engaged Internal Audit & Advisory Services (IAAS) to perform agreed-upon procedures and report on the Agency's internal controls and financial reporting to confirm that Ministry funding is spent in accordance with contractual terms. The Ministry's authority to conduct these audits and reviews is established within the Terms and Conditions of the Service Agreement, as well as the Service Agreement signed between MCFD, on behalf of the Province, and the Agency.

The scope and audit program are defined in MCFD's Audit Guide for Contracted Residential Agencies. This engagement covers the period of 20 months from April 1, 2018 to November 30, 2019. In total, there are five residential contracts and four non-residential contracts with either start or end dates that fall within the engagement period. See Appendix C for the four contracts selected for testing.

The compliance assessment of the Agency is based on, but not limited to, the following MCFD's policies and requirements:

- Screening and Assessment of Caregivers in Contracted Agencies Policy (SACCA Policy) (April 1, 2018);
- Financial Reporting and Management Requirements (July 26, 2016);
- Terms and Conditions of the Service Agreement (January 13, 2015);
- Schedules for the Service Agreement specific to the Agency; and
- Service Agreement(s) specific to the Agency.

¹ Due to the COVID-19 pandemic, timing of this engagement was deferred until fiscal 2021.

IAAS evaluated and made recommendations, as appropriate, related to the following areas:

- screening and assessment of staff and caregivers;
- accounting and financial control practices, including controls to address risk of misuse of funds;
- specific accounting practices, including calculation/recording of deferred revenue, contract accounting, and recording of administrative costs;
- discretionary spending;
- compensation;
- contracting practices and potential conflicts of interest;
- contractual reporting obligations and data integrity; and
- financial health and organizational stability.

We conducted this review through:

- review of policies and procedures;
- risk assessments and financial analysis;
- interviews and walkthroughs of processes and key controls;
- review of contracts and other supporting documents; and
- sample testing of payroll, expenditures and hiring practices.

The review was conducted by IAAS and fieldwork was completed in January 2021.

Limitations

Our work was planned and conducted to identify key risks, identify and assess the effectiveness of the existing internal controls, and make recommendations for improvement in the areas related to contractual financial accountability and administration. Ascertaining whether services were appropriate from a professional care point of view was beyond our scope.

Our work and findings do not constitute an audit as defined under Canadian Audit Standards, and we offer no assurance as defined under these standards. We did not subject the information contained in the report to checking or verification procedures except to the extent stated in MCFD's Audit Guide for Contracted Residential Agencies. Our work was not designed to identify and cannot necessarily be expected to disclose defalcations, fraud and other irregularities.

This report is intended solely for the information and use of MCFD. This report should not be distributed to third parties, excluding the Agency under review, without IAAS's prior written consent.

1.0 Observations and Recommendations

This engagement revealed certain exceptions based on the requirements that guide the related Service Agreements. Scope limitations in other areas prevented us from assessing if other errors or weaknesses may exist.

Our observations and related recommendations are rated as high, moderate or low in priority based on the following criteria:

High	Significant control weaknesses or cases of non-compliance with contractual terms or prescribed procedures and should be addressed as a matter of urgency.
Moderate	Control weaknesses, or cases of non-compliance with contractual terms or prescribed procedures and should be addressed promptly.
Low	No significant issues encountered, or control weaknesses, or cases of non-compliance with contractual terms or prescribed procedures, and do not seriously detract from the system of internal control.

For areas where we encountered a limitation of scope, ratings have been provided based on the impact of potential errors that may be present.

These assessments of priority are directed solely to issues pertinent to ESSS and the financial reporting and internal controls related to the contract service provided by ESSS.

1.1 Screening and Assessment of Agency Staff and Caregivers

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1.2 Accounting and Financial Control Practices, including Controls to Address Risk of Misuse of Funds

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1.3 Appropriateness of Compensation Levels for Staff and Management as Compared with Industry Standards

s.13

² CSSEA 2018 Management and Excluded Salary Report uses 2017 respondent data, while management salaries provided were as at April 1, 2019.

Appendix A - Summary of Recommendations

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Appendix B - Abbreviations

CRE	Contractor Revenue and Expense
CRRA	<i>Criminal Record Review Act</i>
CSSEA	Community Social Services Employers' Association of B.C.
ESSS or Agency	Encompass Support Services Society
GL	General Ledger
Hub	MCFD's Centralized Screening Hub
IAAS	Internal Audit & Advisory Services
MCFD or Ministry	Ministry of Children and Family Development
SACCA Policy	Screening and Assessment of Caregivers in Contracted Agencies Policy
SRAT	Self-Reporting Audit Tool

Appendix C - List of Contracts Reviewed

1. Residential Child Care Service Agreement 81190
2. Residential Child Care Service Agreement 95747
3. Residential Child Care Service Agreement 95927
4. Non-Residential Child Care Service Agreement FT08784005

REPORT FOR THE MINISTRY OF CHILDREN AND
FAMILY DEVELOPMENT:

Agreed-Upon Procedures over the Pacific Community Resources Society

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Executive Summary

We were engaged to perform agreed-upon procedures over the Pacific Community Resources Society's (PCRS or Agency) internal processes and controls on behalf of the Ministry of Children and Family Development (MCFD or Ministry). This engagement focused on adherence to the Service Agreements between MCFD and PCRS and the internal controls that support appropriate expenditure and complete and accurate financial reporting. In addition, this engagement focused on the onboarding of Agency staff in line with MCFD's screening and assessment requirements.

Overall, the processes and controls in place were found to support accurate and reliable reporting related to PCRS' contractual responsibilities. Our procedures did not note any significant control deficiencies but did identify some errors relating to the processing of necessary screening questionnaires and the recording of transactions. In addition, some information was not provided by the Agency as of the December 18, 2020 audit documentation submission deadline. As a result, we were unable to conclude on certain procedures relating to the screening of Agency staff and the accuracy and reliability of some financial information reported.

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We would like to thank the management and staff of the Pacific Community Resources Society, who participated in and contributed to this engagement, for their assistance.



Stephen Ward, CPA, CA, CIA
Executive Director
Internal Audit & Advisory Services
Ministry of Finance

Introduction

The Ministry of Children and Family Development (MCFD or Ministry) provides residential services to children and youth with highly complex needs through contracted residential agencies. The Ministry provides monitoring and oversight by performing a variety of risk identification and management activities. This includes conducting audits and reviews to monitor service delivery, operational and financial performance, and compliance. Pacific Community Resources Society (PCRS or Agency) was selected for testing as part of MCFD's fiscal 2019/20 audit plan for contracted residential agencies.¹

PCRS is a not-for-profit organization which provides a breadth of quality, accredited social services across British Columbia, including: education, employment, housing, substance use, mental health, and youth and family support services. The Agency's primary source of income is from government-funded contracts and programs, with 29% (\$8.3 million) of the Agency's funding financed by MCFD during fiscal 2019.

Purpose, Scope and Approach

MCFD engaged Internal Audit & Advisory Services (IAAS) to perform agreed-upon procedures and report on the Agency's internal controls and financial reporting to confirm that Ministry funding is spent in accordance with contractual terms. The Ministry's authority to conduct these audits and reviews is established within the Terms and Conditions of the Service Agreement, as well as the Service Agreement signed between MCFD, on behalf of the Province, and the Agency.

The scope and audit program are defined in MCFD's Audit Guide for Contracted Residential Agencies. This engagement covers the period of 20 months from April 1, 2018 to November 30, 2019. In total, there are two residential contracts and six non-residential contracts with either start or end dates that fall within the testing period. See Appendix C for the three contracts selected for testing.

The compliance assessment of the Agency is based on, but not limited to, the following MCFD policies and requirements:

- Screening and Assessment of Caregivers in Contracted Agencies Policy (SACCA Policy) (April 1, 2018);
- Financial Reporting and Management Requirements (July 26, 2016);
- Terms and Conditions of the Service Agreement (January 13, 2015);
- Schedules for the Service Agreement specific to the Agency; and
- Service Agreement(s) specific to the Agency.

¹ Due to the COVID-19 pandemic, timing of this engagement was deferred until fiscal 2021

IAAS evaluated and made recommendations, as appropriate, related to the following areas:

- screening and assessment of staff and caregivers;
- accounting and financial control practices, including controls to address risk of misuse of funds;
- specific accounting practices, including calculation/recording of deferred revenue, contract accounting, and recording of administrative costs;
- discretionary spending;
- compensation;
- contracting practices and potential conflicts of interest;
- contractual reporting obligations and data integrity; and
- financial health and organizational stability.

We conducted this engagement through:

- review of policies and procedures;
- risk assessments and financial analysis;
- interviews and walkthroughs of processes and key controls;
- review of contracts and other supporting documents; and
- sample testing of payroll, expenditures and hiring practices.

Testing was conducted by IAAS and fieldwork was completed in December 2020.

Limitations

Our work was planned and conducted to identify key risks, identify and assess the effectiveness of the existing internal controls, and make recommendations for improvement in the areas related to contractual financial accountability and administration. Ascertaining whether services were appropriate from a professional care point of view was beyond our scope.

Our work and findings do not constitute an audit as defined under Canadian Audit Standards, and we offer no assurance as defined under these standards. We did not subject the information contained in the report to checking or verification procedures except to the extent stated in MCFD's Audit Guide for Contracted Residential Agencies. Our work was not designed to identify and cannot necessarily be expected to disclose defalcations, fraud and other irregularities.

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1.0 Observations and Recommendations

This engagement revealed certain exceptions based on the requirements that guide the related Service Agreements. Scope limitations in other areas prevented us from assessing if other errors or weaknesses may exist.

Our observations and related recommendations are rated as high, moderate or low in priority based on the following criteria:

High	Significant control weaknesses or cases of non-compliance with contractual terms or prescribed procedures and should be addressed as a matter of urgency.
Moderate	Control weaknesses, or cases of non-compliance with contractual terms or prescribed procedures and should be addressed promptly.
Low	No significant issues encountered, or control weaknesses, or cases of non-compliance with contractual terms or prescribed procedures, and does not seriously detract from the system of internal control.

For areas where we encountered a limitation of scope, ratings have been provided based on the impact of potential errors that may be present.

These assessments of priority are directed solely to issues pertinent to PCRS and the financial reporting and internal controls related to the contract service provided by PCRS.

1.1 Screening and Assessment of Agency Staff and Caregivers

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1.3 Specific Accounting Practices, including Deferred and Surplus Revenue, Contract Accounting, and Administrative Costs

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1.4 Contractual Reporting Obligations and Controls over Reporting Integrity

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1.5 Appropriateness of Compensation Levels for Staff and Management as Compared with Industry Standards

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² CSSEA 2018 Management and Excluded Salary Report uses 2017 respondent data and was compared to management rates as at June 2019.

Appendix A - Summary of Recommendations

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Appendix B - Abbreviations

CSSEA	Community Social Services Employers' Association of B.C.
ESM	Economic Stability Mandate
GL	General Ledger
Hub	MCFD's Centralized Screening Hub
IAAS	Internal Audit & Advisory Services
MCFD or Ministry	Ministry of Children and Family Development
PCRS or Agency	Pacific Community Resources Society
SACCA Policy	Screening and Assessment of Caregivers in Contracted Agencies Policy
SRAT	Self-Reporting Audit Tool

Appendix C - List of Contracts Reviewed

1. Residential Child Care Service Agreement 27134
2. Residential Child Care Service Agreement 94918
3. Non-Residential Child Care Service Agreement FT08140001