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Indian Residential Schools Adjudication Secretariat (IRSAS) Management Practices Review

Final Report February, 2010

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Background and Context

Background

- Since 2007, INAC Audit and Evaluation Sector – Audit and Assurance Services Branch (AASB) has been reviewing the management practices in Regions and Sectors as part of its three year Risk-Based Audit Plan.
- The Executive Director of the Indian Residential Schools Adjudication Secretariat (IRSAS, or Adjudication Secretariat) requested a Management Practices Review (MPR) for the IRSAS to be conducted.

Context

- The mandate of the IRSAS is to implement and administer the Independent Assessment Process (IAP) under the direction of the Chief Adjudicator in an independent, objective and impartial manner.
- The IAP came into effect at the time of implementation of the IRS Settlement Agreement in September 2007.
- The IAP is an out of court, alternate dispute resolution process that resolves claims of abuse that occurred at Indian Residential Schools.
- IRSAS, while under the INAC departmental umbrella, is an independent, arms-length entity; wherein, the role of the Secretariat staff is to screen applications and provide extensive support services to adjudicative hearings. The role of the Chief Adjudicator and Adjudicators is to independently assess claims of former IRS students and to render decisions.
- Key functional activities within the IAP include:
 - Applications Intake Review and Admission; Case Management; Hearings Management; Coordination of Medical and Psychological Assessments; and Decisions Rendered.
- IRSAS is administering the IAP and is accepting IAP applications for a period of five years from September 19, 2007 to September 19, 2012 – at which point the IRSAS will wind-down. The IAP is to be concluded by September 19, 2013.
- IRSAS has offices located in Ottawa, Winnipeg, Regina, and Vancouver.



Background and Context (cont'd)

Context (cont'd)

- As of December 2009, the current annual budget is approximately \$34 million with 170 FTEs. The implementation of the IAP has not followed initial projections. The implementation of the IAP was delayed by several months at the outset due to a court-ordered opt-out period. Also, the number of applications received has not followed the projected trend line. At the outset of the 2009/10 fiscal year it was projected that the IRSAS would process 4,000 files to the point of hearing and spend \$60M. This has not occurred for several reasons:
 - Processes to hire staff have been cumbersome and ineffective to achieve the expected 220 FTEs (the Draft Strategic Plan reported the 08/09 annual salary budget to be \$8.06M compared to \$13.3M originally budgeted);
 - The number of files that have reached the point of being “hearing-ready” is less than expected.
 - The cost per hearings is lower than anticipated and has been reduced further by the success of “blocking hearings”;
 - The volume of claims being processed annually is less than the 4,000 initially expected and therefore the O&M (operating and maintenance) expenses related to processing claims is less (the Draft Strategic Plan reported the 08/09 annual O&M budget to be \$24.0M compared to \$45.8M originally budgeted).

Objectives

- The objectives of management practices reviews are to:
 - Assist management in assessing whether their management practices are designed to achieve objectives in an efficient and effective manner;
 - Inform management on areas of strength and weakness in respect of the organization’s management practices and controls; and
 - Inform the AASB’s risk-based audit planning exercise so that audits conducted in future years can be directed at the areas and horizontal control systems that present the highest levels of risk.
- In light of the nature of the engagement as a management practices review and not an audit engagement, no conclusions or level of assurance are provided.



Scope

- The scope of IRSAS MPR covered a range of management practices in place within the Adjudication Secretariat.
- The following nine (9) management practice areas were assessed during the course of the MPR:
 1. Strategic and Operational Planning;
 2. Risk Management;
 3. Human Resources Management;
 4. Coordination of Programs and Activities;
 5. Monitoring;
 6. Results-Based Performance Measurement and Reporting;
 7. Management of Contribution Programs;
 8. Financial Management; and
 9. Communications.
- **This review was limited to the above mentioned management practice areas, and did not include any assessment of decisions made by the independent adjudicators**



Methodology

- The IRSAS MPR examined management practices within the Adjudication Secretariat and included site visits within the National Capital Region and the Regina regional office.
- A site visit to the Regina regional office was conducted by Audit and Assurance Services Branch in December 2009.
- Interviews were conducted with representatives from the Secretariat management, as well as representatives from INAC Human Resources.
- Testing was conducted on a sample of the following types of transactions:
 - Staffing actions;
 - Overtime;
 - Leave;
 - Payments made to: Group IAP claimants, individual claimants and external experts; and
 - Payments made to IRSAS staff for reimbursement of travel and hospitality expenses.
- Sampled transactions were selected on a judgemental basis based on transactions listings provided by IRSAS.
- The objectives of the testing procedures completed were to review whether:
 - The appropriate approvals were obtained for each sampled transaction; and
 - The approvals were granted in accordance with established delegated authorities.



Methodology (cont'd)

Structure and content outline of the MPR report

- For each MPR area, we provide our:
 - Observations based on our review of documentation provided, information provided during interviews, testing of selected transactions, and follow-up;
 - Findings to highlight areas that may warrant focus by IRSAS management or the INAC Audit and Assurance Services Branch; and
 - Recommendations as applicable.
- Audit and Assurance Services Branch conducted test of a sample of transactions in the MPR areas of Human Resources, Management of Contribution Program and Financial Management. The results of this testing is included at the end of each MPR section and we have provided a summary at the end of this report.



Strategic and Operational Planning

Observations:

1. IRSAS has a documented mandate.

- The stated mandate of the IRSAS is to “administer the court approved Independent Assessment Process (IAP) in accordance with the Settlement Agreement under the direction of the Chief Adjudicator”.
- The Adjudication Secretariat’s mandate is defined in a number of documents including the Draft Strategic Plan 2008-2013 (January 2009) and Draft Operational Plan 2009-2011 (February 2009). We discussed the fact that these documents remain in “draft” with management and reasons why these have not been finalized are largely due to the fact that management was required to deal with a number of other priority issues, including staffing and implementing and refining procedures to process claims.
- The Draft Strategic Plan and Draft Operational Plan identified objectives, priorities and performance measures aligned to the IRSAS mandate.

2. The IRSAS mandate has been communicated across the Adjudication Secretariat.

- The Adjudication Secretariat has completed a process to develop and communicate both strategic and operational plans, specifically, the Draft Strategic Plan and Draft Operational Plan have been communicated across the Adjudication Secretariat.
- The Quarterly Report to the INAC Deputy Minister is the primary mechanism to communicate and report on IRSAS results to government. The Chief Adjudicator provides a detailed report to the courts on a quarterly basis.
- The Quarterly Report (Q2 FY 2009-10) is aligned to both the IRSAS Draft Strategic Plan and Operational Plan wherein it reports on IRSAS strategic & operational objectives, priorities, and results in relation to performance indicators, as well as risks and accountabilities.



Strategic and Operational Planning (cont'd)

Observations (cont'd):

3. The Adjudication Secretariat's wind-down strategy is outlined in strategic and operational planning documentation.

- Audit and Assurance Services Branch was provided with the IRSAS Integrated Business and Human Resources Plan and noted factors being considered by the Adjudication Secretariat as part of its wind-down strategy along with a wind-down framework.
- In addition, the IRSAS Operational Plan discusses the Secretariat's Winding Down Strategy (2012-13) and notes that the Secretariat is developing a wind-down strategy or an initial framework for winding down operations and activities for the IAP implementation by end of fiscal year 2012-13 as specified in the Settlement Agreement. The strategy will incorporate a number of actions including:
 - Engage strategies to increase the number of term employees;
 - Cross-train staff allowing for greater internal movement to fill vacancies rather than hire;
 - Engage federal councils and other departments; and
 - Promote learning and learning plans within IRSAS to ensure staff are trained for their jobs and for their future progression.
- The Director of Operations has initiated preliminary discussions to transfer IRSAS to selected federal organizations in Regina once the mandate of IRSAS is complete.
- Management plans on developing a more formal wind-down and plan. Management has indicated that this work will commence prior to March 31, 2010 with completion projected within the first 2 quarters of 2010/11.



Strategic and Operational Planning (cont'd)

Findings:

1. Strategic and operational plans have not been finalized or implemented to date.

- The Adjudication Secretariat has drafted and communicated both strategic and operational plans. The Draft Strategic Plan 2008-2013 (September 10th, 2008) and the Operational Plan 2009-2011 (February 20th, 2009) are both in draft.
- Management noted that the implementation of strategic and operational plans has been distracted by other operational priorities / challenges.
 - Comments from a number of interviewees noted that the Adjudication Secretariat has been focused on the management of unanticipated priorities since inception.
 - Issues have included HR staffing, funding shortfalls, financial transaction backlog and claimant processing bottlenecks.
 - The focus has been on the operational issues related to screen applications and provide extensive support services to adjudicative hearings with less time available to focus on the operational planning related to the corporate services functions such as financial management and human relations.

Recommendation:

- To promote a more stable operating environment, management should re-focus attention towards strategic and operational (including corporate services) planning activities in a more formal way to help ensure the achievement of results and accountability for performance.



Risk Management

Observations:

1. The Adjudication Secretariat uses a number of mechanisms to identify, monitor and report on risks.

- Audit and Assurance Services Branch was provided with the following documents as examples of IRSAS risk management activities:
 - IRSAS Risk Registry (June and October 2009)
 - Settlement Agreement Risk Registry (April 2009);
 - Quarterly Report to INAC Deputy Minister (Q2 FY 2009-10);
 - Quarterly Report to TBS (Q2 FY 2009-10); and
 - Proposed Risk Assessment for processing Chief Adjudication Office invoices (November 2009)
- Based on the review of the above documents, we observed the following:
 - The Settlement Agreement Risk Registry is an inventory of risks categorized under the following risk descriptions: Governance; Financial; Capacity; IM / IT; and Relationship. The Registry was developed in consultation with IRSAS directors, managers and other key Adjudication Secretariat leaders.
 - The Quarterly Reports produced by IRSAS for the INAC DM and TBS report on selected risks along with the mitigation strategies being employed by the Adjudication Secretariat.
 - The Proposed Risk Assessment for processing Chief Adjudication Office invoices considers the risk in processing invoices and describes proposed approaches to verifying types of invoice payment claims (travel, hotel, etc) for claimants and external experts.
- We were informed that bilateral meetings between the IRSAS Executive Director and functional directors occur on a bi-weekly basis and that these discussions consider risk.



Risk Management (cont'd)

Findings:

1. There is no common approach to risk management within the Adjudication Secretariat.

- The approach to risk management within the Adjudication Secretariat is currently ad hoc and could be more formalized and integrated, i.e., an integrated risk management framework and monitoring strategy.
- Examples noted:
 - a) IRSAS managers indicated that there are different risk tolerances across the senior management group and senior management does not consider risk management in a structured manner. Management did state that risks are considered such as the lack of funding and HR support from INAC which are discussed frequently at senior management meetings and reported monthly in the context of the Financial Summary Report and the quarterly Swords report.
 - b) Audit and Assurance Services Branch observed through the review of the Settlement Agreement risk registry that the alignment of the risks in the registry identified was not always consistent with those reported on in the Quarterly Reports (i.e., some risk registry items were discussed in the Quarterly Reports; however, most were not).

Recommendations:

- To promote more robust and consistent risk management, management should consider next steps to implementing integrated risk management. These would include: re-assessing risks; measuring likelihood and impact; ranking risks; setting desired results; developing options; selecting a strategy; implementing the strategy; and monitoring, evaluating and adjusting.



Human Resources Management

Observations:

1. **The Adjudication Secretariat has developed formal processes and procedures to communicate strategic and operational human resources management plans, objectives and initiatives.**
 - Audit and Assurance Services Branch was provided with a number of documents which indicate the Adjudication Secretariat has formal mechanisms in place with which to develop and communicate strategic and operational HR plans, objectives, and initiatives. These include, among others:
 - IRSAS Integrated Business and Human Resources Plan for FY 2009-2012; and
 - List of 20 staffing priorities.
 - Based on our review of the above documents, we observed:
 - The Integrated Business and HR Plan outlines IRSAS business goals and HR needs in order to meet its court ordered Settlement Agreement requirements. The Plan includes the Adjudication Secretariat's wind-down strategy along with a wind-down framework.
 - The listing of 20 priorities has been developed to be communicated internally and to INAC the most important staffing action needs.



Human Resources Management (cont'd)

Observations (cont'd):

2. The Adjudication Secretariat has put in place processes to establish and support HR roles and responsibilities.

- Audit and Assurance Services Branch was provided with a number of documents which set out IRSAS HR roles and responsibilities, as well as the Adjudication Secretariat's approaches to managing HR, including:
 - Delegation of authority;
 - IRSAS Learning and development guidance; and
 - Sample learning plans.
- During the conduct of the MPR, Audit and Assurance Services Branch was provided with the following comments in relation to the above documents:
 - Only the IRSAS Executive Director has the authority for approving staffing actions; and
 - IRSAS management is supportive of staff learning and development activities whereby there is a requirement that all employees complete individual learning plans, and that annual performance evaluations are to be completed for all employees.



Human Resources Management (cont'd)

Findings:

1. **The absence of clear roles, responsibilities and expectations (between IRSAS and INAC) with respect to human resources has created challenges for both parties.**
 - During the conduct of the MPR, Audit and Assurance Services Branch met with both IRSAS and INAC HR representatives. Consensus comments from both parties have noted that since the incorporation of the IRSAS into INAC in 2008, HR has been an area that has caused difficulties and frustration for both parties.
 - From the point of view of IRSAS management:
 - The transfer of HR responsibility from the former Indian Residential Schools Resolution Canada (IRSRC) to INAC and the reliance by IRSAS on HR advice that was not provided by INAC HR advisors further complicated the situation;
 - It has been difficult to obtain clear and consistent HR advice, for example, actions approved by HR at one point are the questioned by HR at a later date;
 - Delays in staffing actions have recurred which have consistently been cited by the Secretariat as a significant risk to the achievement of it's objectives (screening applications and providing extensive support services to adjudicative hearings); and
 - IRSAS has identified key areas for improvement to the HR practice, these include:
 - » a consistent and clear approach to justification of how candidates are selected;
 - » improved record keeping for all HR matters; and
 - » a clear and consistent approach to avoiding conflicts of interest in the staffing process.



Human Resources Management (cont'd)

Findings: 1. (cont'd)

- IRSAS management in Regina noted some flaws in previous staffing actions and have undertaken reviews of these and concluded that there were indeed problems and have taken steps to address them to ensure they do not recur. Examples of problems noted include:
 - » Potential conflict of interest (A direct report was included on the interview board for the direct report's manager's daughter); and
 - » Failure to include or missing a required competency.
- From the point of view of INAC HR:
 - The communication of staffing requirements from IRSAS has not been consistent, and there is a sense that when HR advice is provided, it is not followed according to established processes and procedures;
 - Issues with respect to the accuracy and quality of information in Regina staffing files, such as the justification and / or the assessment of the appointed employee against statement of merit criteria has not been consistently demonstrated.



Human Resources Management (cont'd)

Findings (cont'd):

- It is our understanding that when IRS was re-integrated into INAC in June 2008, a Memorandum Of Understanding (MOU) was expected to be established between IRSAS and INAC HR to set out expected services standards and the resources to be transferred by IRSAS to cover HR service costs. However, a MOU was not established –this has contributed to a current state of unclear expectations and frustration for both IRSAS and INAC HR.
- From the perspective of both IRSAS and INAC HR branch, the establishment of a MOU was identified as a timely quick win that could help to clarify and set expectations and create a better understanding of staffing service standards.
- Management noted that they have prepared a staffing guide that is aimed at improving the HR staffing process. IRSAS management has initiated discussions with INAC HR and plan to implement the staffing guide prior to the end of the current fiscal year.

Recommendations:

- It is recommended that IRSAS management develop, in collaboration with INAC HR branch, a MOU to clearly establish service level expectations. This MOU should be put in place as quickly as possible in order to address current HR priorities.
- We acknowledge IRSAS management efforts to develop a staffing guide and encourage this and any additional efforts such as a MOU to help improve the HR staffing process.



Human Resources Management (cont'd)

Findings (cont'd):

2. Staffing capacity and performance issues are creating challenges to deliver operational results.

- Based on the results of our work, we noted the following concerns and issues:
 - IRSAS is currently experiencing recruitment and retention difficulties. This may be the result of a number of factors, including:
 - » Problems with staffing processes on the part of both IRSAS and INAC HR;
 - » Weak on-boarding training for new employees;
 - » Performance evaluations are not consistently completed for all staff; and
 - » The Department's decision to freeze¹ all indeterminate hiring and hold the number of FTE's at 135 (management indicated this decision has not had much of an impact on their ability to hire).
 - Continuous acting positions at Director (EX-01) may be presenting challenges for effective management, including the ability to hold employees accountable and responsible for their performance.
 - » It is our understanding that IRSAS management in the Regina office has encountered difficulties with performance management for employees within certain functional areas. For example, Hearings Management, where high staff turnover including movement within the Secretariat, attendance and sick leave are common problems
 - Inter-staff HR problems were noted, resulting in an April 2009 facilitated discussion session being held among Hearings Management managers and staff.
1. Management noted that the reason for the freeze on hiring additional indeterminate staff was a decision of the Deputy Minister to manage the number of indeterminate positions that the Department, and more broadly the federal government, would have to absorb following the wind-down of the Adjudication Secretariat.



Human Resources Management (cont'd)

Findings (cont'd)

3. IRSAS management has identified as areas of concern.

- Issues encountered in the Regina regional office :
 - Inability to staff all vacant positions;
 - Accountability of staff with respect to performance expectations;
 - Excessive pressure on staff to meet “unreasonable” claims production expectations and targets²;
 - Inefficient processes that include backlogs and bottlenecks;
 - Conflict between staff to the extent that a conflict resolution session was held; and
 - Potential conflicts of interest and accountability for performance issues caused by hiring family members under indirect supervision and having family members work in the same functional group.
- Proper procedures not followed in some HR staffing actions.
 - We were informed that the Executive Director of IRSAS is currently consulting with the Public Service Commission to review in detail if staffing rules were properly followed for selected staffing actions.

2. The initial expectation was to process 4,000 claims annually and has been revised to 3,000.



Human Resources Management (cont'd)

Findings:

HR transactions testing results:

1. Staffing actions:

- We requested and obtained a listing of all current and past IRSAS employees and selected 5 files to review the authorizations and approvals for the staffing actions.
- Based on the 5 files obtained, we observed the following:
 - All signatures observed were matched and confirmed to the IRSAS delegated signing authorities matrix.
 - All files had S.32 FAA signoff on the Request for Personnel Services (RPS).
 - All files had S.34 FAA signoff on the Letter of Offer.



Human Resources Management (cont'd)

Findings (cont'd):

HR transactions testing results:

2. Overtime:

- We requested and obtained year-to-date overtime summaries for the functional groups in the Regina office and selected a sample to examine if pre-approval to work overtime was granted by their supervisors.
- We examined a total of 8 overtime transactions and found that:
 - Evidence of supervisor pre-approval was on file for 2 of the 8 transactions.
 - Two staff are working on a compressed work schedule and continue to work significant overtime hours. The implication of this is that OT rates increase from 1.5 times to 1.75 and 2.0 times on weekends for compressed work arrangements.
- During our testing we noted in the document, Record of Decision, that “Overtime capped at 08/09 levels”. We requested a copy of a report that included the 2008/09 overtime amount but were unable to obtain such a report. This implies that management was not managing the amount of overtime for the current year 2009/10 against the 2008/09 level which was to be the maximum amount for the current period. The total provided on a December 16, 2009 report included \$165,414.76 paid in overtime year to date but there is no corresponding report available for management to compare this amount to for the prior fiscal year. Management should be monitoring this amount against 2008/09, as required by the Record of Decision (effective April 1, 2009).



Human Resources Management (cont'd)

Findings (cont'd):

HR transactions testing results:

2. Overtime (cont'd):

Recommendations:

- Management pre-approval should be granted (and documented) prior to OT being worked by employees. Documented evidence of management pre-approval to work OT hours should be attached to the OT form to demonstrate pre-approval in order to comply with the Record of Decision.
- When requesting employees to work overtime, management should set clear expectations for hours to be worked and/or activities to be performed / production levels to be achieved during OT hours to support:
 - Clarity of expectations with respect to OT;
 - Monitoring of planned OT vs. actual OT worked; and
 - Monitoring of the activities being performed during OT hours and the reasonability of the OT being worked by employees.
- Management should examine the working arrangements for employees who are both on compressed work weeks and working overtime, to consider if the compressed work schedule remains appropriate.



Human Resources Management (cont'd)

Findings (cont'd):

HR transactions testing results:

3. Annual Leave:

- Audit and Assurance Services Branch obtained a leave transaction listing from PeopleSoft and selected a sample of 5 annual leave transactions to determine if leave was pre-approved prior to the leave being taken.
- Based on the 5 annual leave transactions selected, we observed that pre-approval was evidenced in 3 of the 5 selected leave transactions.



Coordination of Programs and Activities

Observations:

1. The Adjudication Secretariat is working towards improving the delivery of the IAP.

- Audit and Assurance Services Branch was provided with documented flowcharts documenting the activities and key decision points across the Independent Assessment Process (IAP).
- IRSAS management is aware of the process issues that exist, such as, claimant processing bottlenecks and invoice payment backlogs and has identified and reported these to Treasury Board with mitigation plans identified in the Quarterly Report.
- IRSAS management has recently commissioned a consultant business process improvement study on the post-hearings process with the objective to describe the current as-is state in order to flag business process issues and opportunities for improvement.
- IRSAS management and supervisors hold weekly meetings to discuss operational matters.
- We observed the following discussion topics based on the review of minutes from these meetings:
 - Management meetings:
 - » Performance of IRSAS functional branches against key metrics; monitoring of overtime and productivity; employee issues; staffing pressures; and backlog pressures.
 - Supervisor meetings:
 - » SADRE (Single Access to Dispute Resolution Enterprise) system functionality and data quality; staffing issues; performance management; overtime and productivity; training, backlogs, etc



Coordination of Programs and Activities (cont'd)

Observations (cont'd)

- Finance meetings:
 - » Payables at year end (PAYE); Hearings Management invoices backlog; credit card payment processing; budget analysis and monitoring; staffing; overtime; and that INAC procurement vehicles do not meet IRSAS needs.
 - » We noted that IRSAS management made improvements within existing processes to deliver results in a more effective and efficient manner through implementing a “block hearing” approach that allows hearings to be scheduled in a more efficient manner. The efficiencies gained by this approach can potentially reduce hearing costs for the IRSAS and INAC RIAS.



Coordination of Programs and Activities (cont'd)

Findings:

1. **The Indian Residential Schools Settlement Agreement (IRSSA) sets two clear expectations:**
 - that at least 2,500 hearings will be held each year and
 - that all hearing-ready files will be offered a hearing within 9 months of admission.
- **Management stated that the Secretariat is currently meeting these two expectations however many files are not “hearing-ready” within 9 months of admission and the Secretariat made a decision to reduce the annual hearing target from 4,000 to 3,000.**
 - The decision to lower the annual hearings target from 4,000 to 3,000 was taken primarily to allow the decision process to catch up with the hearing process. Notably, files are not accumulating at the scheduling or hearing stage and thus there is not sufficient throughput of hearing-ready files to hit the 4,000 target (which was set internally by the Secretariat and not by the IRSSA). This has been reported by management in its quarterly report to Treasury Board.
 - The IRSAS is working with claimant counsel, provinces and territories to accelerate the rate at which files become hearing-ready. The claimant admission letter sent to the claimant and/or their counsel requires all documentation to be received 130 days from the date of the admission letter.

Recommendation:

- Management should continue to work with claimant counsel, provinces and territories to accelerate the rate at which files can be made hearing-ready.



Monitoring

Observations:

- **The Adjudication Secretariat has put in place mechanisms to monitor operational results.**
 - Audit and Assurance Services Branch was provided with numerous reports used by IRSAS to monitor its internal operating environment. The objective of these reports is to assist management to flag both operational and delivery issues in a timely manner and are produced on a daily, weekly and bi-weekly basis.
 - A new report has been implemented to summarize monthly results achieved by Case Management, Hearings Management, Scheduling and the Chief Adjudicator's office. The report includes a variety of metrics including:
 - Claims volume by region;
 - Claims in process and at what stage (i.e., Case Management, Hearings Management, etc); and
 - Hearings to be held.



Monitoring

Finding:

- The SADRE (Single Access to Dispute Resolution Enterprise) system is not meeting functional information and reporting requirements.
 - Audit and Assurance Services Branch was informed by IRSAS management that the SADRE system is not meeting functional needs. SADRE was designed with the intent to be a linear platform to process IAP claim payments for claimants, external experts, etc; however, it has not consistently been used by IRSAS staff for the input of claims milestones and this has led to concerns with data accuracy and completeness. For example:
 - SADRE reporting information has been described as “semi-accurate”;
 - When using SADRE, it is difficult to produce performance measurement reporting on claims production; and
 - Instead of SADRE, IRSAS staff are using “black books” (Excel spreadsheets) to monitor claims production statistics.

Recommendation:

- IRSAS management should consider the continued rationale and value to IRSAS of using SADRE as a management tool. Consideration should include the need for training of staff to help ensure data is input accurately and on a timely basis into the system.



Results-Based Performance Measurement and Reporting

Observations:

- 1. The Adjudication Secretariat has established performance measures and uses a number of reporting mechanisms to communicate strategic and operational results.**
 - Audit and Assurance Services Branch was provided with examples of internal and external reporting that IRSAS uses to report on operational performance, including:
 - Quarterly Report to the INAC DM, TBS, and the Quarterly Report provided by Regina;
 - New reporting which summarizes monthly results achieved by Case Management, Hearings Management, Scheduling and the Chief Adjudicator's office. The IRSAS Executive Director believes that this new report will help IRSAS in the reporting of their results to INAC; and
 - IAP claims processing statistics (dashboard, "the blues").



Management of Contribution Programs

Observations:

- 1. The Adjudication Secretariat is working with Group IAP claimants to meet Contribution Agreement requirements.**
 - Under Group IAP, an individual claimant may receive up to \$3,500 to assist with legal service costs of joining a larger claimant group.
 - Group IAP payments amount to approximately \$500,000 annually.
 - The group Contribution Agreement sets out the terms of the payments and the payment schedule.
 - Based on interviews with IRSAS management, we understand there are no process differences between individual IAP and Group IAP.



Management of Contribution Programs (cont'd)

Findings:

1. There are delays in processing payments for Group IAP.

- Delays in approving and processing Group IAP payments create the risk of default on the Contribution Agreement payment schedule. Consequently, payment delays may cause delays for Group IAP recipients to undertake their healing activities.

Testing Results:

➤ Group IAP:

- Audit and Assurance Services Branch obtained the listing from FNITP (First Nations and Inuit Transfer Payments) system of all payments made to Group IAP recipients and selected 2 payments to review if authorizations (S.32) and approvals (S.34) were granted by a delegated authority.
- We observed that in both instances, the Contribution Agreement (S.32) and (S.34) payment approval were signed by a delegated authority.
- We also verified that the payment was made (S.33).



Financial Management

Observations:

- 1. There is a defined process within the Adjudication Secretariat to prepare budgets and planned expenditures.**
 - Our review of Annex L – Funding Pressures document identified the basis and justification for the IRSAS planned FY expenditures whereby plans are developed on the basis of expected FTE's as well as O&M forecasted based on historical average costs per hearings.
 - For FY 2009-10, planned salary expenditures of \$13.4M were based on achieving 220 FTEs and O&M of \$46.8M based on a production level of 4,000 hearings.
 - Within IRSAS, delegation of financial signing authority is limited to 4 individuals: Executive Director; Director of Strategic and Operational Planning; Director of Adjudication Management; and Director of Operations.
 - IRSAS, like many INAC branches uses a monthly Financial Summary Report (FSR) to report on its monthly financial status by authorities and activities, and to communicate any issues to the Department.

- 2. The Adjudication Secretariat is managing hearings and other IAP activity cost drivers.**
 - Audit and Assurance Services Branch was provided three examples of recent initiatives undertaken by IRSAS which demonstrate efforts to understand IAP cost drivers and a financial management plan to address identified operational challenges:
 - Costing report (April 2009 and October 2009) which was commissioned to enable a better understanding of the factors influencing the average cost per hearing; and
 - Costing model (September 2009) which has been developed to enable IRSAS to generate activity-based costing on all aspects of the implementation of the IAP. The model will be implemented in Q4 FY 2009-10.
 - Financial Management Plan 2009-10 (Draft) which addresses, among others, the invoice backlog in Regina Hearings Management and Finance.



Financial Management (cont'd)

Findings:

1. Audit and Assurance Services Branch noted the following financial management issues:

- There is a significant backlog (approximately 2,400 claimant expenses as at mid-December 2009) residing within Hearings Management. Such a backlog may result in the following:
 - Pressure to process invoices without proper review; and
 - Payment of interest on past due invoices.

We understand from subsequent discussions with management that this backlog has been resolved by a team from Ottawa who travelled to Regina to process the invoice backlog.

- We understand that credit card statement reconciliation procedures are not being completed by Hearing Support Officers (HSO). We also understand that there is sharing of credit cards between HSOs in instances where a credit card issued to a HSO may have been revoked by the issuing company due to non-payment. In this case the HSO may request a credit card from a colleague to procure services for claimants.
 - During our field work, we observed a photocopy of an IRSAS Regina employee's procurement card in plain sight, presumably taken with the intent to share the credit card number.

Recommendations:

- Invoice backlog:
 - Management should consider ways to address the backlog that may include hiring additional staff, improved training for HSOs, etc. and ensure that such a backlog does not recur as year end is approaching and payables at year end (PAYE) must be accrued. This will be more difficult to complete if a backlog recurs.
- Credit cards:
 - Reconcile credit card statements on a timely basis (monthly at a minimum); and
 - Do not allow the sharing of credit cards among HSOs. Management has stated that this practice is prohibited now.



Financial Management (cont'd)

Findings (cont'd):

Testing results:

➤ Travel:

- Audit and Assurance Services Branch requested and obtained the OASIS listing of all payments made to IRSAS employees for travel expenses since April 1, 2009 and selected a sample of 5 transactions to examine if authorizations (S.32) and approvals (S.34) were granted in accordance with IRSAS delegation of signing authority.
- We observed:
 - For all 5 claimant payments, S.32 and S.34 were signed by an IRSAS delegated authority.
 - Authorizations and approvals were supported by required documents, including Travel Authority and Advance Form, Purchase Order, etc.
 - We also verified that the payments were made by verifying performance of S.33.
 - Compared to processing claimant and external expert invoices, and observed no more than 3 weeks between S.34 and S.33.

➤ Hospitality:

- We obtained the sole hospitality expense for 2009 which was related to the April 2009 conflict resolution session in Regina. Hospitality expense included 3 items.
- We observed:
 - In all 3 cases, S.32 was signed by an IRSAS delegated authority.
 - In 2 of the 3 cases, we observed S.34 was signed by a delegated authority and were able to verify performance of S.33.
 - In 1 instance, we could not observe S.34 signoff for the expense item. Communication with IRSAS noted the expense has not been entered into OASIS; therefore, there is no record of the transaction. Audit and Assurance Services Branch discussed this item with IRSAS representative and it is believed the transaction may be part of the invoice backlog.



Financial Management (cont'd)

Findings (cont'd):

Testing Results (cont'd):

➤ Claimant expense reimbursement payments:

- Audit and Assurance Services Branch obtained the listing from OASIS of payments made to IAP claimants and selected a sample of 6 payments to review authorization (S.32) and approval (S.34).
- We observed:
 - For all 6 claimant payments, S.32 and S.34 were signed by an IRSAS delegated authority.
 - Authorizations and approvals were supported by required documents, including Travel Authority and Advance Form, Purchase Order, etc.
 - We also verified that the payments were made by verifying performance of S.33.
 - We observed delays between the performance of S.34 and S.33 in 3 of the 6 instances where the delays ranged between 2 ½ and 4 ½ months. Management indicated a number of reasons that contributed to the delays including:
 - » Expense verification was transferred from Finance to the Chief Adjudicators Office and to Hearings Management in April 2009; and
 - » Training may not have been sufficient enough to enable the staff in these two areas to complete the expense verification.



Financial Management (cont'd)

Findings (cont'd):

Testing Results (cont'd):

➤ External experts:

- Audit and Assurance Services Branch obtained the listing from OASIS of payments made to external experts and selected a total 5 payments to review authorization (S.32) and approval (S.34).
 - We observed:
 - Exceptions in 3 out of 5 payments where management could not provide the evidence to demonstrate S.32 pre-approval;
 - 1 instance where S.32 was signed after the expense was incurred (management noted a process that has been in place consistently since June 2009 whereby such instances are reported in a Briefing Note, reviewed and approved by the Executive Director, Briefing Note is cited in OASIS and any corrective actions required such as training are followed up by the responsible manager);
 - 1 instance where S.32 was not on file; and
 - 1 instance where S.32 was signed after notification of non-payment³.
 - For all 5 claimant payments, S.34 was signed by an IRSAS delegated authority.
 - We also verified that the payments were made by verifying performance of S.33.
 - We also observed delays between the performance of S.32 and S.33 in 4 of the 5 instances where the delays ranged between 3 and 10 months. Management indicated a number of reasons that contributed to the delays including:
 - expense verification was transferred from Finance to the Chief Adjudicators Office and to Hearings Management in April 2009; and
 - training may not have been sufficient to enable the staff in these two areas to complete the expense verification.
3. The services were provided but it was only after the supplier notified the Adjudication Secretariat for non-payment that the section 32 was provided after the fact in order to process the payment.



Communications

Observations:

- 1. The Adjudication Secretariat has established formal communications policies and mechanisms to interact with its IAP stakeholders.**
 - Audit and Assurance Services Branch was provided with examples of IRSAS communications documents, including:
 - IRSAS Communications Policy: covering objectives, performance measures, deliverables, action plans and results to date.
 - A number of IAP related communications plans, strategy and framework documents, outlining the goals of the IAP, and the responsibilities of IRSAS in communicating to relevant IAP stakeholders.
 - There are a number of websites where stakeholders can obtain information, including the main IRSAS and IAP websites, in addition to links to the Settlement Agreement.
 - Formal management communications mechanisms are in place within IRSAS such as weekly senior management committee, Finance and Governance committee and HR committee meetings.
 - We reviewed minutes for the IRSAS Management, Supervisory, and Finance and Governance committees and observed that within each, there appears to be a proactive discussion by management on a variety of issues that create operational and delivery challenges for the Adjudication Secretariat, including:
 - Effectiveness and efficiency of IAP functional performance (process bottlenecks and backlogs with payments);
 - HR (Staffing pressures, training, performance, workplace, professionalism, etc);
 - Overtime; and
 - System functionality (ex: SADRE).
 - We were also informed that the IRSAS Outreach Strategy was presented to and approved by the Oversight Committee in December 2009. The objective of the Outreach Strategy / Plan is to disseminate information to former students, individuals, communities or groups related to the IAP in as a clear a way as possible by leveraging partnerships and collaborating with community leaders and service providers.



Transaction Testing Summary

The following is a summary of the results of Audit and Assurance Services Branch Transaction Testing

MPR Area	Results	Comments
Human Resources - Staffing	Authorized approvals for Section 32 and 34 noted in all 5 sample items	Audit and Assurance Services Branch was advised that in some cases management felt that staffing actions may not have been conducted appropriately. This is noted in this report for follow up as deemed necessary by Audit and Assurance Services Branch. Management has engaged the Public Service Commission to examine these cases in more detail.
Human Resources - Overtime	Pre-approval for overtime was noted in only 2 of 8 sample items selected for testing. The 2 cases where pre-approval was in evidence the pre-approval was for only a portion of the OT actually worked	Audit and Assurance Services Branch recommends that management tighten up the process for pre-approval of overtime and to monitor the OT worked more closely and in a more timely manner.
Human Resources - Annual Leave	Pre-approved leave (vacation) was documented in only 2 of the 5 sample transactions selected	Audit and Assurance Services Branch recommends that pre-approval of vacation leave be carried out and documented on a go forward basis.



Transaction Testing Summary (Cont'd)

MPR Area	Results	Comments
Management of Contribution Program – Group IAP	Appropriate authorizations noted in both sample items selected for testing.	No additional comments to note.
Financial Management - Travel	Appropriate authorization noted in all 5 sample transactions	No additional comments to note.
Financial Management – Hospitality	Out of the three sample transactions selected, one did not have section 34 documented.	Audit and Assurance Services Branch recommends that management reinforce the importance of appropriate authorization of transactions.



Transaction Testing Summary (Cont'd)

MPR Area	Results	Comments
Financial Management - Claimants	Appropriate authorizations noted in all six sample items selected for testing.	Audit and Assurance Services Branch did note significant delays between section 32 approval and section 33 payment. Delays noted ranged from 2 ½ to 4 ½ months. Audit and Assurance Services Branch recommends that management work to reduce these delays.
Financial Management - External Experts	Appropriate authorizations were noted in 2 of 5 sample transactions. Section 32 was not in evidence for 3 of the 5 transactions. In two cases S.32 signed after the expenditure was incurred. In the third case S.32 was not in evidence.	Audit and Assurance Services Branch recommends that management tighten up the internal controls with respect to Section 32 and Section 33 to reduce the delay in payments to external experts (delays noted ranged between 3 and 10 months).